

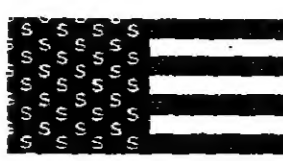
FINANCIAL TIMES

Start
the week
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World Business Newspaper

MONDAY FEBRUARY 26 1996

Bosnian leaders accused by UN of forcing out Serbs

United Nations relief officials accused the Muslim-Croat federation and Bosnian Serb leaders of exerting pressure on Serbs to abandon their homes in parts of Sarajevo which are set to come under Bosnian government control under the Dayton agreement. Kris Janowski, spokesman for the UN High Commissioner for Refugees, accused the Bosnian Serb leadership of manipulating the fears of Serbs about their fate at the hands of the Muslim-led Bosnian government. Page 18

Major faces battle over MPs' vote on arms report

The outcome of tonight's House of Commons vote on the Scott report's findings on the sale of arms to Iraq may depend on how the government pushes forward the Northern Ireland peace process, David Trimble, leader of the Ulster Unionists, warned. Alarm has been raised that the two important issues had become intertwined, and the Tories face a further embarrassment as it emerged that Conservative MP William Powell may have breached parliamentary disclosure rules as a result of his relationship with a lobbyist with Middle East connections. Page 6

Sinn Féin seeks to 'rebuild peace': British government officials will today meet Sinn Féin representatives for the first time since the Irish Republican Army abandoned its ceasefire amid signs of progress in the Northern Ireland peace process. Page 6

Forbes' win weakens Dole: Bob Dole, Senate majority leader, heads into the US Republican party's presidential primary election in Arizona tomorrow looking increasingly weakened after losing to Steve Forbes, the millionaire publisher, in the Delaware primaries. Page 18; Alarm over protection, Page 5

BET, the UK business services group facing a hostile £1.8bn (\$2.77bn) bid from Rentokil, has launched a pre-emptive strike against its rival by sending a letter to shareholders outlining the improvements BET has made in the past five years. Page 19

Wisconsin Central Transportation, the new US owner of British Rail's heavy haul freight operations, may build its own freight railway lines in Britain if Railtrack, the company responsible for the track network, is not willing to devote resources to freight operations. Page 6

The London Stock Exchange is coming under increasing pressure from investors and brokers to pull back from plans to introduce order-driven electronic trading alongside the current market-making system. Page 6; Editorial Comment, Page 17; Lex, Page 18

Japan and US seek to ease island tensions: President Bill Clinton and Ryutaro Hashimoto, Japan's prime minister, have agreed a joint commitment to consider the redeployment of the 47,000 US military personnel stationed in Japan, possibly to reduce the heavy concentration of forces and ease the continuing tension on Okinawa. Page 5

Heineken is poised to become the largest brewer in Italy through its purchase of Moretti from Interbrew, the Belgium brewer of Stella Artois. Page 19

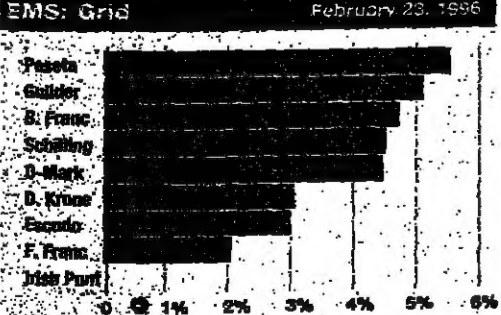
Umbro founders plan lawsuits: Members of the family that founded Umbro, the Manchester-based sportswear manufacturer in the UK, are planning to take legal action against its US parent which is preparing to float Umbro later this year. Page 20; The Big Red Steamroller, Page 12

WTO chief urges ambitious trade goals: Renato Ruggiero, director-general of the World Trade Organisation, called on member governments to commit themselves to achieving multilateral trade system goals at least as ambitious as those they are pursuing in regional trade arrangements. Page 4

Cricket World Cup: England suffered a 78-run defeat when they were dismissed for just 150 by South Africa who had scored 230 at Rawalpindi, Pakistan. Pakistan marked their opening match with a convincing nine-wicket victory over the United Arab Emirates at Gujranwala, Pakistan. The match was reduced to 33 overs after rain.

European Monetary System: There was no change to the order of currencies in the EMS grid last week, but the spread between strongest and weakest widened by nearly one percentage point. This coincided with a slight retreat by the dollar, though it was bolstered by Bank of Japan support. German investors nervous about prospects for Euro. Page 21; Currencies, Page 27

EMS: Grid February 23, 1996



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies can fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a narrow 2.25 per cent band.

Area	Unit	Value	Area	Unit	Value
Australia	A\$	0.68	Denmark	Dkr	6.46
Belgium	Bfr	36.36	Finland	Fmk	5.94
Canada	Cdn\$	0.70	France	Ffr	6.55
Germany	DM	1.00	Italy	Lira	2036.27
Japan	Yen	163.60	Netherlands	Gld	2.20
South Africa	Rand	6.60	Portugal	Escudo	200.48
Spain	Peseta	166.64	Sweden	Kr	8.46
Switzerland	Sfr	1.73	UK	£	0.79
Taiwan	Nt\$	35.36	US	\$	1.00
Thailand	Baht	50.34			
West Germany	DM	1.00			
Yugoslavia	Dinar	13.63			

Palestine suicide bombers kill 25

Two Hamas attacks in Israel hit Peres' election chances

By Julian O'Connell in Jerusalem

Palestinian Islamic bombers yesterday killed 25 people in two horrific suicide attacks in Israel, dealing a blow to the electoral chances of the Labour-led coalition government and the fragile Israeli-Palestinian peace process.

The bombings of a Jerusalem commuter bus and a soldiers' hitch-hiking post in southern Israel provoked grief and outrage across Israel, as well as disillusionment with a peace that has apparently not guaranteed improved personal security.

The Hamas Islamic Resistance Movement, which opposes the Israeli-Palestinian peace accords, claimed responsibility for the attacks and said they were to avenge Israel's killing last month of Mr Yehya Ayyash, a Hamas master bomber known as "The Engineer".

Mr Shimon Peres, Israel's prime minister, sealed Israel's borders with the Gaza Strip and West Bank and suspended peace talks, but vowed that terrorism would not defeat peace. Mr Peres, who has recently enjoyed a lead of up to 20 points over right-wing Likud leader Mr Benjamin Netanyahu, refused to be drawn on the impact of the bombing on his electoral campaign. Aides said a wave of

bombings could spell disaster for the government in the May 29 polls.

Angry crowds jeered the veteran Israeli leader when he visited the blood-soaked scene of the Jerusalem bombing, where an Islamic extremist had detonated a 10 kg bomb packed with ball bearings and nails on a bus taking people to work in the morning rush hour.

Several people gathered at the charred wreck of Bus 18 and chanted "Peres go home" and "Death to Arabs". Twenty-three people died in that attack and two at the hitchhiking post. The bombers were among the dead.

Mr Yasser Arafat, the Palestinian president, condemned the bombings as an attack on the peace process. "This is not a military operation, it is a terrorist operation," he said. "I condemn it completely and I condemn any power behind it."

US President Bill Clinton said the bombings "offend the conscience of the world" and must be brought to an end. The bombings, which caused the highest death toll in Israel since the Israeli-Palestinian peace deal in 1993, broke Hamas' six-month unofficial truce and threaten to re-ignite a wave of devastating terrorist attacks. A Hamas leaflet called the



Rescue workers and police searching for bodies inside the commuter bus destroyed by Palestinian bombers in Jerusalem

Picture: Reuters

attacks an "intelligence and military victory" to avenge the killing of Mr Ayyash, and warned of more attacks against Israel if "the occupier enemy" struck against Hamas "fighters and wanted heroes".

The leaflet suggested Hamas would cease its military operations if Israel desisted from

attacks on Hamas activists and released Hamas prisoners. Mr Peres vowed not to surrender to Islamic attacks. "We know this is a brutal war but we have no intention of giving in to Hamas. Terrorism, however painful, will not determine our fate."

Aides said the prime minister was deeply concerned about the

prospect of further attacks with the election campaign, due to open officially in six weeks. A wave of bombings could swing security-conscious Israelis towards the Likud party, which has criticised the Israeli-Palestinian peace process as harmful to Israel's security interests.

Mr Netanyahu refused yesterday to condemn the government

on a day of national mourning, but said: "Believe me, we will have plenty of time in the coming days and months to argue about the way to achieve peace and

Continued on Page 18
Bombs pile pressure on peace process, Page 4

Pentagon to identify arms deals suitable for UK groups

By Bernard Gray, Defence Correspondent, in London

US officials have been told to draw up a list of arms contracts worth several billion dollars which could be awarded to British manufacturers.

The move follows complaints from the British government that its big purchases of American arms have not been matched by orders from the Pentagon.

Mr Paul Kaminski, the US defence under-secretary for acquisition and technology, has asked for a report on possible international collaboration, designed to identify arms programmes which could involve the UK. The report is due to be submitted by mid-March.

The US efforts follow remarks in Washington by Mr Michael Portillo, UK defence secretary, that there had to be a "two-way street" in arms equipment between Britain and the US if the British market was to remain open to US firms.

The US fears its companies' prospects in several large current UK defence competitions could be endangered if it does not give British arms manufacturers a better chance of competing for US orders.

US companies are tendering in competition for a \$2bn (\$300m) order for maritime patrol aircraft and \$2.5bn worth of missile programmes.

Several large UK projects have recently gone to the US, most notably the \$2.5bn order for tank-busting Apache helicopters and a \$1bn order for Hercules transport aircraft. These decisions have damaged British relations with continental European countries and have threatened to bar Britain from the new Franco-German arms agency.

The Pentagon's list of possible programmes which could go to the UK include a \$1bn US Navy and Marine Corps order for aircraft laser designators which

US seeks UN action over Cuban air attack

By Pascal Fletcher in Havana and Nancy Durne in Washington

The US yesterday called for an emergency meeting of the UN security council to develop an international response to the shooting-down of two small private aircraft by Cuban fighter jets on Saturday.

Mr Warren Christopher, US Secretary of State, said the "lawless and tragic" incident was "totally without justification" and should be addressed internationally because it was a violation of international law. He said it had occurred in the Florida Strait and was ordered by Cuba's

"highest military authorities". President Bill Clinton will be presented with "a range of options" produced during a meeting of the US National Security Council yesterday at the White House.

Mr Christopher said the US would consult its allies about a multilateral response, but the US would also act unilaterally. Washington's response is likely to include an end to the recent easing of US restrictions on contacts with Cuba.

The two aircraft were owned by Brothers to the Rescue, a Miami-based Cuban exile group which aids Cubans seeking to

flee the regime of President Fidel Castro. Four men were on board and are assumed to have died.

The aircraft are believed to have ditched in international waters, but it was not clear last night whether the shooting took place in Cuban airspace.

Mr Clinton condemned the "broad daylight" incident and demanded an explanation from the Cuban government. He ordered US forces to scour the area for wreckage.

The Cuban government was unresponsive. It said the two aircraft were "pirate" aircraft which violated its airspace as part of a hostile campaign by

right-wing Cuban exiles in Miami. The shooting comes amid attempts by the Cuban government to improve its image and canvass increased international support for an end to the US trade embargo.

Measures have included moves to negotiate a co-operation agreement with the European Union, which would lend weight to Havana's argument that current US government policy towards Cuba is anachronistic and self-defeating.

European diplomats said the Cuban government's uncompromising attitude towards even moderate political opponents who

favour peaceful dialogue was not likely to help the process of negotiations for an EU-Cuba co-operation accord.

The US government recently eased currency, travel and trade restrictions on Cuba and seemed likely to move towards a lifting of the decades-old trade sanctions if Mr Clinton won a second term.

In July, Brothers to the Rescue members flew over Havana dropping leaflets calling for the overthrow of Mr Castro. The Cuban government warned that it would intercept or bring down such aircraft, and the US Administration warned the group to avoid Cuban airspace.

Centre-right parties in Turkey set for new coalition talks

By John Barham in Istanbul

Leaders of Turkey's two rival conservative parties are expected to try again to form a coalition government after the collapse at the weekend of negotiations between the Islamic Refah party and the conservative Motherland party.

The talks between Refah and Motherland focused on differences over economic policy and the running of the government body which controls and finances Turkey's mosques.

Mr Mesut Yilmaz, the Motherland leader, is now likely to resume negotiations with Mrs Tansu Ciller, caretaker prime minister and head of the True Path party. There were high-level contacts between the two centre-right parties over the weekend.

But Mr Yilmaz's position is weakened because he broke his election promise not to talk to Refah, while Mrs Ciller can present herself as champion of the secular state. True Path strategists believe they are poised for victory in the battle with Motherland for control of Turkey's centre-right, which traditionally represents half the electorate.

Mrs Ciller and Mr Yilmaz have held several rounds of talks since the December general election

left Refah as the largest single party in parliament, with 158 of the 550 seats, and True Path and Motherland with 135 and 133 respectively. Two smaller left-wing parties hold the remainder.

The two centre-right parties share the same pro-western, free market policies, but deep personal animosity between the leaders has prevented a deal.

Their talks have repeatedly failed, as both parties want to hold the premiership in any coalition. - True Path arguing that it won more votes, Motherland that it won more seats.

Observers say President Süleyman Demirel could now assume a crucial role in forcing the two centre-right parties to find a compromise and so avoid fresh elections. Under the constitution, Mr Demirel is required to call elections if a government is not formed by mid-March.

Mrs Tansu Ciller said at the weekend: "A government will emerge from the current parliament. Motherland and True Path can set up a government."

After talks with Mrs Ciller failed, Mr Yilmaz went back on campaign promises not to deal with Refah. He and Mr Necmettin Erbakan, Refah's leader, met six

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<p>Development Capital £3,500,000 WHEWAY LIFESTYLE INTERNATIONAL</p> <p>acquisition of The Sanctuary, Covent Garden</p> <p>Arranged and financed by MERCURY DEVELOPMENT CAPITAL</p> <p>Debt finance provided by Midland Bank plc</p> <p>Advisors to management City Venture Brokers</p>	<p>Management Buy-out £13,500,000 PARC GROUP</p> <p>Led, arranged and financed by MERCURY DEVELOPMENT CAPITAL</p> <p>Debt finance provided by Ulster Bank</p> <p>Reporting accountants Price Waterhouse Dublin</p>

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NEWS: INTERNATIONAL

Dini's plans for new party improper, says Berlusconi

By Robert Graham in Rome

Italy's centre-right yesterday claimed that it was improper for Mr. Romano Prodi to stay on as caretaker prime minister after his decision to create a moderate centre party to contest the general election in April.

"In a game of football, you would never find the referee and linesman playing for one of the two sides," said former premier Mr. Silvio Berlusconi, who owns AC Milan, the current football League champions, and heads the rightwing alliance.

The right is concerned that Mr. Dini will be able to exploit his position as prime minister to bolster his chances in the elections.

The alliance claimed Mr. Dini would unfairly enhance the electoral prospects of the centre-left alliance which provided parliamentary support for his government.

Mr. Dini, recruited from his post as director-general of the Bank of Italy to be treasury minister in the 1994 Berlusconi government, announced his decision late on Friday. He resigned as premier on January 12, but has become caretaker

following the failure to form a new government and the dissolution of parliament last weekend.

Mr. Dini has been under intense pressure from a variety of parties to enter the political arena formally. He has staked out his independence but made it clear the centre-left alliance, dominated by the Party of the Democratic Left (PDS) is a logical ally.

Follsters suggest a centre party headed by Mr. Dini, who will almost certainly stand in his native Florence, could obtain 8 per cent of the national vote.

The strongest protest over his move came from Mr. Berlusconi, whose Forza Italia movement risks losing votes to Mr. Dini.

He said: "We wish to express our profound bitterness to the head of state over the way a government considered neutral and in place to guarantee Italy's European presidency should today become a party to the election campaign beside the Olive [the symbol of the centre-left alliance]."

The most prominent ally of Mr. Dini in his new venture is Mr. Mario Segni, the former Christian Demo-

crat leader of the referendum movement, who has found himself ill at ease with the PDS-controlled centre-left alliance.

But Mr. Dini has also found supporters among former members of the now defunct Socialist party and from Mr. Vittorio Cenci Gori, a senator for the centrist Popular party (PPI) who is trying to create a third television network round his newly acquired channels, Telemontecarlo and Videomusic.

Mr. Dini's task will not be easy. Mr. Massimo D'Alema, the PDS leader, bluntly warned him against

trying to break Italy's nascent bipolar system by creating a third force. This was seen as a reminder that Mr. Dini had been able to survive and prosper as premier last year thanks to the PDS and its allies. Some of these allies - especially the former centrist PPI - see Mr. Dini as a direct competitor for their electorate.

The entry of Mr. Dini also raises question marks about the position of Mr. Romano Prodi, the former head of the state holding company, chosen last year to head the centre-left "Olive" alliance.

Mr. Prodi has failed to establish a strong public image and Mr. Dini is now a rival for the prime minister's job after the elections.

In what seemed a curious coincidence, Mr. Prodi was informed by magistrates last Friday that he was under investigation for alleged abuse of office while running in 1993.

The incident concerns the privatisation of the foodstuffs group, SMI. Mr. Prodi said over the weekend that he had a clear conscience and refused to be blackmailed over the affair.

Siberian oilmen welcome cash flight

Companies seek ways of avoiding cycle of debt, reports Christia Freeland

Every few months Vitali, Sasha and Dima put on long, woolly underwear and three pairs of socks, and strap on pistols before boarding a rickety Aeroflot jet headed for Siberia with almost a third of a million dollars' worth of crisp new rubles in their carry-on luggage.

Depending on the weather, their arduous journey - a 3½-hour flight from Moscow to the Siberian city of Novy Urengoi, followed by a frigid 90-minute ride in a helicopter even further north to the small settlement of Gaz-Sala - can take as long as four days.

But, in the wild world of post-communist Russia, dispatching three armed security guards loaded with 40lb of cash is the most efficient way to pay the workers of the far north who produce the oil and gas which is their country's life-blood.

Vitali, Sasha and Dima represent one of the countless cumbersome and costly strategies which Russian businesses adopt to navigate the wave of wage arrears which threatens to engulf the economy.

Unpaid wages, which total at least Rb20,400bn (\$4.3bn) according to official statistics, are one of the country's most crippling economic problems and have become a central issue in the campaign for the June presidential elections.

In an effort to appease disgruntled voters, many of whom have not seen wages for several months, President Boris Yeltsin last week promised to resolve the wage arrears crisis completely by next month.

It is a politically attractive pledge, but many economists have warned that it will be impossible to fulfil. The Kremlin owes only Rb3,500bn to government employees such as doctors, teachers and soldiers. The rest is owed to workers in privatised or partly privatised enterprises.

The tenuous financial life of Zapolarnetgazgeologia (ZNGG), the Arctic oil and gas exploration company which is periodically bailed out by the cash-couriers from Moscow,



Revellers dance around a burning dummy symbolising winter, in Moscow's Gorky Park, in festivities marking the end of winter.

suggests how difficult it is likely to be for many companies to find their way out of the maze of Russia's fledgling market economy.

Like many Russian companies, ZNGG - the sole employer for the 3,000 residents of Gaz-Sala, a snow-bound settlement north of the Arctic Circle - has brilliant prospects, but today leads a miserable, hand-to-mouth existence.

As an oil and gas exploration company, it has the right to acquire valuable production licences. That made ZNGG an attractive buy for Nipek, an aggressive Russian investment company based in Moscow which bought a majority stake last year. But to gain *de facto* control, the new owners had to fight a pitched battle with the old management which lasted nearly six months and crippled the company.

"The enterprise was paralysed by this war," says Mr. Joseph Piradashvili, the new, Nipek-appointed director.

Like thousands of potentially profitable Russian companies, ZNGG is caught in a web of debts from its clients and enormous, unpredictable tax bills. The company owes Rb42bn in

taxes, but the government and Gazprom, Russia's monopoly natural gas exporter and the country's richest concern, owe ZNGG Rb50bn.

The main victims of the financial crunch are ZNGG's 2,000-plus employees.

"The most difficult thing for me is psychological," said Mr. Piradashvili, a multilingual former theoretical physicist forced into commerce by the collapse of the Soviet Union. "People come to me with tears in their eyes and beg for their wages and I must be hard and refuse. I have become like that caricature of an evil capitalist whom we used to read about as schoolchildren."

But Mr. Piradashvili and his bosses in Moscow are doing their best to keep ZNGG afloat

because they know that if the company stops operating it will not be awarded the promised oil and gas production licences.

Since Nipek took effective control of ZNGG, it has reduced overall wage arrears from Rb5bn to Rb2bn. To do that, Mr. Piradashvili has resorted to some creative manoeuvres. Using the security guards, who delivered Rb1.5bn to pay wages earlier this month, is one example.

One advantage of the courtiers is that they allow Mr. Piradashvili to avoid the walloping 7 per cent commission local banks charge for cash withdrawals.

Moreover, the cash transaction, and some fancy legal footwork, allow ZNGG to dance

around crippling financial regulations which can make it impossible for indebted companies to pay their workers.

If Nipek were to put money directly into its new subsidiary's accounts to pay wage arrears, the money would be claimed immediately by the government to go towards ZNGG's tax bill.

Over the next four months, Mr. Yeltsin has promised to bring Russians a modern market economy where wages and taxes are paid on time. But, for the people of Gaz-Sala and other remote Siberian settlements, Russia has over the past four years become a byzantine place where wages are paid from suitcases delivered by armed messengers, or not at all.

Brussels may take softer line on anti-dumping

By Caroline Southey in Brussels

The European Commission could shortly agree to turn down two requests from industry to impose duties on "dumped" imports from third countries, providing fresh evidence that the Commission is moving towards a more discriminatory anti-dumping policy.

Two highly sensitive cases involving 3.5 inch floppy disc (mini-disc) imports from Hong Kong and hydraulic excavator imports from South Korea are under review by the Commission. Final decisions are not expected until next month at the earliest, but there are indications that the Commission could recommend that in neither case could it find any evidence of dumping - pricing exports at levels below those in the exporting country.

If the Commission decides not to impose duties in these two cases, it would indicate that the EU is becoming less protectionist and more critical

in its review of anti-dumping cases.

Pressure has been mounting on the EU to review its anti-dumping policy, following criticisms that its aggressive approach against imports ranging from electronics components to raw materials was undermining global trade liberalisation and sheltering inefficient producers.

The EU already has already imposed duties on micro-discs imported from Hong Kong and a number of other countries. At the request of European producers, it has been investigating whether there is a need for additional measures. The investigation has also covered eight other countries, including Malaysia and the Philippines.

The micro-disc case is particularly sensitive because the Commission is, for the first time, looking at "circumvention" practices in these countries. This involves establishing whether countries have moved production in order to avoid anti-dumping measures.

"Anti-circumvention" cases are controversial because there are no rules governing such practices under the World Trade Organisation. Disagreements among WTO members during the last world trade talks meant the issue was left unresolved, despite earlier US pressure for the inclusion of a tough clause on circumvention.

In the case of the export of excavators from South Korea, recent evidence suggests there is little evidence of large-scale dumping. At the same time, EU producers who initially sought the investigation appear less concerned about dumping following a strong recovery in the market.

The complaint, initially filed by the Committee for European Construction Equipment, covered self-propelled excavators weighing more than six tonnes. Early last year Cece said it believed continued dumping by the South Koreans could, in the long term, force some companies out of business.

Spend more, French told

By Andrew Jack in Paris

The French government this weekend wound down a publicity campaign designed to help boost sluggish consumer spending, which had met with a mixed reaction from the advertising profession.

Two weeks of appeals on national radio stations appear to have done relatively little to boost interest in a series of measures designed to help stimulate the economy.

The campaign, jointly co-ordinated by the Matignon, the prime minister's office, and the ministry of economics and finance, ran under the slogan: "Recovery... we'll bring it about together."

At a time of calls for budgetary rigour, the government stressed that the total costs of the campaign - running on

eight radio networks since February 10 - were just FF7m (\$1.4m), and were produced by a freelance rather than by an expensive advertising agency.

They involved testimonials with seven people describing how they would be taking advantage of a series of measures announced by ministers in the last few weeks.

The measures include tax deductions on loans taken out to spend on consumer goods; lower interest rates to renovate or buy accommodation; and similar discounts for borrowing by small business and local communities.

The government estimated that the radio broadcasts, scheduled to go out at peak listening hours, should have been heard on average eight times by 80 per cent of French people aged 20-60.

Its campaign comes at a time of gloomy predictions about the French economy. Mr. Jean Arthuis, French economics minister, launching the new initiatives at the end of January, conceded that growth was lower than expected, but argued it would recover during the second half of the year.

Some economists are more sceptical, and argue it is now unrealistic to expect France to be able to reduce its budget deficit to 3 per cent by the end of next year to comply with the Maastricht treaty ahead of monetary union.

The measures themselves have also come in for criticism, with bodies such as the Federation, the French employers' federation, arguing that business investment rather than consumer spending is the way to help relaunch the economy.

INTERNATIONAL NEWS DIGEST

Gunfights in Bangladesh

Opposition militants clashed with police and fought gun battles with government supporters yesterday in a campaign to force Bangladesh's newly re-elected prime minister, Begum Khaleda Zia, from power. Opposition leaders fled their homes as police searched the country on the second day of a violent non-cooperation campaign that has cost two lives and injured 130 people.

Witnesses said only rickshaws and a few state corporation buses moved in Dhaka yesterday. Trains, ferries and inter-city buses were mostly not running. The country's two stock exchanges, in Dhaka and Chittagong, were closed. Only senior employees turned up in government offices. Private offices were closed. Most banks kept their doors shut.

Today is the last day of a 72-hour national stoppage called by opposition parties to protest at the alleged unfairness of the recent general election.

Reuters, Dhaka

Violence growing in Egypt

Egyptian security forces yesterday said that attacks by Muslim extremists on villages in the southern province of Assiut which killed eight people over the weekend had brought to 24 the number of people who have died over the past 10 days in militant violence which continues to plague isolated parts of Upper Egypt.

Until the latest spate of attacks the violence had been contained to a number of areas in the Minya province, but the spread to other areas has concerned local authorities who thought they had successfully dealt with the problem. In an interview with a local magazine yesterday Mr. Hassan al-Ahfi, interior minister, said he would again upgrade the level of security forces in the region "to strike at the remaining handfuls of terrorists".

Last week, the militant group responsible for most of the attacks, Gama'a al-Islamiya, warned of increased operations in Upper Egypt and in Cairo, which has been free of militant violence for more than a year.

James Whittington, Cairo

Seoul boost for foreign investors

The ceiling on the foreign ownership of listed South Korean companies will be raised to 18 per cent from 15 per cent from April 1, the finance and economy ministry said yesterday.

The measure is meant to help win approval for South Korea's entry into the Organisation for Economic Co-operation and Development this year, while also boosting the sluggish Seoul bourse ahead of parliamentary elections in mid-April.

The ceiling on individual foreign investment in a listed company will be increased from 3 per cent to 4 per cent. Total foreign investment in two "strategic" state companies, Pohang Iron & Steel and Korea Electric Power, will be raised to 12 per cent from 10 per cent, although the limit on individual foreign stock ownership in these companies will remain unchanged at 1 per cent.

John Burton, Seoul

Korean banks' bad loans rise

Bad loans of South Korea's 25 commercial banks rose by 19.2 per cent to Wn2,290bn (\$2.9bn) last year, although the ratio of non-performing loans to total lending remained unchanged at 0.9 per cent. Seoul Bank had the largest amount of bad loans at Wn520.6bn - 2.6 per cent of its total loans.

The Office of Bank Supervision said the ratio of bad loans to total lending was the lowest since the late 1980s. This follows an aggressive write-off of non-performing loans in the last few years, with the government encouraging banks to clear their books of bad debts by 1998. Total lending also increased faster than the growth in bad loans last year.

The jump in the non-performing loan amount was due to the bankruptcy of several big corporate borrowers and a sharp rise in credit card loan defaults.

However, most bank analysts believe the extent of the bad loan problem is much larger than admitted by the government.

John Burton

Chechen fighting may spread

Russia's protracted and unpopular war in Chechnya threatened to spill into the neighbouring region of Ingushetia, when Russian forces pounded an Ingush village with artillery fire for the fourth day yesterday. (Left: a Russian conscript has breakfast in Ingushetia.)

Russian officials denied they had attacked Ingush targets and said they were trying to flush out Chechen separatist fighters from a nearby Chechen town, but witnesses confirmed that Russian guns were firing on the Ingush town of Arshity. The Ingush have close ethnic, religious and historical ties with their Chechen neighbours, but the region has carefully avoided being drawn into the fighting since it began 14 months ago.

Ingush officials said yesterday an agreement had been made on a Russian withdrawal, but there was no confirmation from Moscow. The Ingush said up to 6 civilians had already died in the fighting on their territory and warned that Moscow's actions risked spreading the war beyond the borders of Chechnya. Some Ingush leaders have accused hardliners in the Russian military of deliberately seeking to escalate the conflict to create a pretext for a postponement of June presidential elections.

President Boris Yeltsin has repeatedly pledged that the ballot will be held on time. He has also promised a swift end to the bloodshed in Chechnya but has yet to produce a workable peace plan.

Christia Freeland, Moscow

BBC World on move in Asia

BBC World, the BBC's international news and information channel, will from April 1 transmit to South Asia, one of the channel's biggest audiences, from Pan-Am Sat 4, when its present agreement with Mr. Rupert Murdoch's Star TV expires at the end of March. BBC officials said they had agreed a long-term lease of a P44 transponder with the aim of safeguarding the British broadcaster's second biggest international audience outside Europe. BBC World claims to reach 8.5m homes in India and 12m in South Asia. Star TV will continue to handle BBC World's advertising in the region. Star also said it would continue to discuss "distribution opportunities" with the BBC.

Mark Nicholson, New Delhi

End Emu debate, Kohl pleads

By Andrew Fisher in Frankfurt

German Chancellor Helmut Kohl yesterday called for an end to discussion about the timing and membership of European monetary union and said he opposed moves to delay its start beyond 1999.

His comments, in a television interview, came amid growing uncertainty among German businessmen - especially at small and medium-sized (*Mittelstand*) companies and the public about Emu's implications. Many private investors are also shying away from the purchase of securities which mature after Emu begins and the D-Mark is replaced by the Euro.

Mr. Kohl firmly repeated the Bonn government's view that Emu must be based on strict adherence to the Maastricht treaty's economic criteria and begin on schedule on January 1 1999. He said his emphasis on the need for stability did not mean he favoured a postponement of Emu beyond 1999.

"Stability has always had the absolute priority for me," he said. "But you cannot read that to mean that I am for a postponement of the timetable - absolutely not." Much recent debate on Emu has centred on whether enough countries will qualify to start Emu in 1999 and whether, if not, the plan should be delayed or the criteria softened.

"I think we should stop this discussion over who is coming now or who can and who cannot [become a member of monetary union]," Mr. Kohl added. "Everyone has to do his homework. We Germans have a lot to do in this area." Germany, exceeded the Maastricht criteria on public deficits last year - the treaty states these should be no more than 3 per cent of gross domestic product - and also expects to overshoot in 1998.

Mr. Theo Waigel, the finance minister, denied a newspaper story that his ministry had prepared a report to the German parliament's finance committee saying falling tax revenues and plans to cut unemployment would push the public deficit so high that the criteria would also be missed in 1997. He called this "pure speculation".

The report, in Bild am Sonntag, the Sunday tabloid, said Germany would miss the target next year with a deficit of around 4 per cent of GDP compared with the 3.5 per cent forecast for 1996. It said this would be caused by falling tax revenues as a result of the weak economy and the impact on spending of plans to cut high unemployment.

"Who can say today that we won't fulfil the criteria in 1997?" Mr. Waigel said. He pointed out the 1997 budget was not yet adopted and the impact of the recent 50-point jobs plan was still unclear. He insisted that the government still held to the 1999 starting date for currency union.

Investors nervous, Page 21

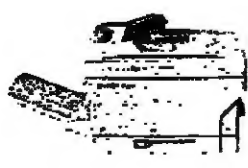
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SHARP
INTELLIGENT THINKING

مكتبة التصليل

Spaniards vote next Sunday, choosing between Socialists and the Popular party. David White looks at the parties' chances and the way the electoral system works

Aura of power now attached to Aznar

"This is not about who wins, but by how much," Mr José María Aznar said at the launch of the Popular party's campaign manifesto in Spain three weeks ago.

His confidence has been vindicated by pre-election opinion polls. With less than a week to go, it would take an amazing upset to deny the centre-right party its first general election victory.

Mr Aznar himself, 43 yesterday, has become more self-assured, less stiff, as if the aura of power were already attaching itself to him.

The PP never really accepted its defeat at the last election three years ago. A repeat of that reversal, when the ruling Socialists unexpectedly snatched a fourth consecutive victory, looks ever more remote.

Weekend polls in four main newspapers showed the PP gaining ground, with a lead of between 8 and 11.6 points, probably enough to govern on its own, although only one put it clearly above the 176 seats needed for an outright majority in Congress.

With such consistent expectations, the PP is fighting against complacency in the closing stages. As Mr Aznar made clear at the outset, the arithmetic of seats will be crucial.

His plans for overhauling Spain's administration depend greatly on being free to govern, without having to strike deals with smaller, regional parties.

Mr Felipe González, the 53-year-old prime minister, in his busiest and toughest campaign since coming to power in 1982, is trying to keep Socialist party hopes alive, saying it is really "a stone's throw" from the PP. But Socialist leaders, demoralised by the impact of corruption and other scandals, are all but resigned to defeat.

They are running a defensive campaign under the slogan "Spain, the positive side" - trying to rally supporters to the defence of Spain's welfare system, while their opponents swear they are not trying to attack it.

The Socialist message relies heavily on the theme of a hidden PP agenda.

"It's not the best campaign of our history," says a long-standing Socialist regional leader. He gives the PP seven marks out of 10 for its campaign, and his own party four.

The PP is running under a less obscure motto - "With the new majority" - clearly designed to convey the idea of a handwagon ready to be jumped on.

Its campaign has been orderly and tightly controlled. Nobody has been caught making gaffes such as praising General Franco - as a candidate did during last year's municipal elections - and Mr Aznar has resisted being drawn into slanging matches.

The party has kept up an image of unity. "In Spanish parties you cannot afford to bring internal debates out into the open," says a senior PP politician.

The Socialists, by contrast, have been in disarray, with factions squabbling over places on lists of candidates. In Vigo, the centre of last year's European-Canadian fishing conflict, they threw chairs at each other.

The Socialists have bolstered their candidates' list by recruiting non-MP members of government such as Mr Pedro Solbes, finance minister, and Mr Juan Alberto Belloch, justice and interior minister. The PP, meanwhile, has broken its own rule that people should not be mayors and MPs at the same time by fielding its popular women mayors in the Andalusian cities of Cádiz and Málaga. It is looking for big gains in Andalusia, which is holding regional elections at the same time.

The Socialists have adopted provocative tactics, outraging the PP with television spots depicting "negative Spain" in sinister black-and-white images including a savage Doberman. In Catalonia, Socialist posters show Mr González's eyes next to Mr Aznar's moustache. "Felipe or Aznar - you decide," they say. "Never has it sunk so low," says Mr Aznar. But, in an election overshadowed by Basque violence, the Socialists also accuse the PP of dirty play in attacking the government's anti-terrorist record.

Opinion polls - often unreliable, and prohibited after today - have been consistent in reckoning the PP's share of the vote at around 41-42 per cent. They differ much more in their estimate of the drop in the Socialist party's vote, and the gains for the Communist-led United Left (IU), out to beat the Communist party's late-

1970s record of just under 11 per cent.

In local elections last year, the Socialists lost support to both the PP and IU. Socialist planners do not expect to retrieve votes from the PP. Their result will depend on how much of a "useful vote" they can win away from IU and how successful they are in persuading people not to abstain. Abstention, 20-30 per cent in previous general elections, has become more the left's problem than the right's.

Millions of Spaniards are still undecided. PP strategists say 500,000-700,000 will probably make up their minds at the last minute. And, in a country where lotteries have a longer history than elections, there are always those who will vote for whichever party looks like winning.

Spain goes to the polls

The parties



Felipe González, Party leader and prime minister. The Spanish Socialist Workers' party is the country's oldest existing political party and has



been led by González since 1974. Losing the first two post-Franco elections in the late 1970s to the now-defunct Union of the Democratic Centre, he forced the party to drop its Marxist label. In government since a landslide win in 1982, it has struggled for the last three years without a parliamentary majority and with divisions in its ranks.



José María Aznar, Popular party leader. Formerly the Popular Alliance, founded in the early post-Franco period to represent the



Spanish right, the Popular party has been reformed since 1980 under the leadership of Aznar, who steered it towards the political centre. It fell short of an expected general election victory in 1983 but has since established clear victories in Basque, regional and municipal contests and now leads the national election opinion polls.



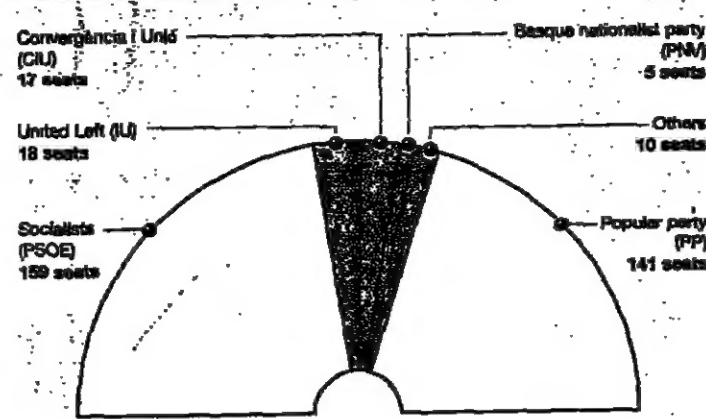
The United Left coalition is based on the Spanish Communist party, which was the principal underground force opposing the Franco regime. IU has provided a home for dissident Socialists, ecologists and independents. Led by Julio Anguita - a severe critic of Socialist economic policies and called "the sybil" by some opponents - the party attracts a protest vote from the young and from sectors of the trade union movement.



The Convergència i Unió coalition represents moderate Catalan nationalists and Christian Democrats and has been the mainstream political group in Catalonia since the early 1980s. Coalition leader Jordi Pujol, now in his fifth term as Catalan president, precipitated the general election by withdrawing support from the minority Socialist government last year and ensuring the rejection of its 1986 budget.

The parliament: Congress of Deputies, 350 seats

What the voters have now...



The polls

...and how they say they'll vote* (1989 results in brackets)

	% of vote	Seats
Popular party (PP)	40.5-44.1% (34.8%)	160-184 (141)
Socialists (PSOE)	28-34% (38.6%)	108-145 (159)
United Left (IU)	11-15% (9.8%)	19-35 (18)
Convergència i Unió (CIU)	4-4.5% (4.9%)	13-17 (17)
Basque Nationalist party (PNV)	0.8-1.5% (1.2%)	4-7 (5)

*Range of opinion results published in the last two weeks by ABC, El País, El Mundo, La Vanguardia, Copias, El Periódico/Arenas 3

An old Spanish voting practice ripe for reform

Most of the 350 men and women who will be elected next Sunday to Spain's Congress of Deputies will be unknown even to the people who vote for them. So were most of the outgoing Congress.

The reason is an electoral system conceived to smooth Spain's return to democracy but now regarded by the main political parties as needing reform.

The parties loom large in Spanish public life, but parliament and its proceedings hardly figure at all.

Both the Socialists and the centre-right Popular party are now for the first time proposing changes. The thrust of their proposals is to allow voters to express preferences between individual candidates rather than having to opt, as now, for fixed lists drawn up by the parties.

The faces on electoral posters all over Spain are the No. 1 candidates on party lists. But in almost every case, both the PP and the Socialist candidates on the posters are certain to be elected. The election determines how many others get in behind them.

The constituencies are the 50 provinces of the Spanish mainland and islands, plus the North African enclaves, Ceuta and Melilla. The seats are distributed according to population. But, with a minimum of three per province, the ratio varies. Barcelona's 31 deputies work out at one for every 126,000 electors; rural Soria gets one for 26,500.

Each party or coalition presents a list of candidates, numbered in order of preference. Seats for each constituency are

allocated under the D'Hondt formula, a proportional system named after its Belgian inventor.

It goes like this. The number of votes received by each party is divided successively by one, two, three and so on up to the total number of seats at stake. The resulting figures, placed in order, determine how many from each list are elected.

The effect of this peculiar way of counting is to give the bigger parties more than their relative weight - a deliberate distortion designed to strengthen the party structure and make the country more easily governable.

A party can feasibly get a majority of seats with under 40 per cent of the vote; the Socialists did it in 1989. But if there is a strong second party, a larger share is needed.

The Communist-led United Left wants a more proportional system and an increase in the size of Congress from 350 to 400 members. This contrasts with the proposals of other parties, which focus on "unblocking" the electoral lists.

A wider consensus exists on reforming the Senate. On Sunday voters will elect 208 of the 256 members of the upper house. Each province gets four senators, with more for the islands. In this case, voters get to choose names. The remaining senators are currently nominated by the 17 self-governing regions.

The planned reform - which requires changing the constitution - would make it into a fully regionally based body, consolidating the devolution process that has taken place over the last 15 years.

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NEWS: INTERNATIONAL

Hammas violence heightens threat to Peres coalition as Israeli elections loom

Bombs pile pressure on peace process

By Julian O'Zanne in Jerusalem

Can a wave of Islamic terrorist attacks destroy the electoral chances of Mr Shimon Peres, Israel's prime minister, and sabotage the Arab-Israeli peace process set in train by the Labour-led coalition government?

These are the key questions raised by yesterday's horrific suicide bomb attacks against Israelis as the country gears up for one of its most crucial elections in the 48-year life of the Jewish state.

Much depends on the extent to which Israelis believe there is any viable alternative to pressing ahead with the peace process and their capacity to repress their natural outrage and grief.

Defeat for Mr Peres and his Labour party at the May 29 general elections would spell an end to the peace process. Although Mr Peres has been riding a wave of public sympathy since the assassination of former prime minister Yitzhak Rabin last November, nothing is more capable of undermining his substantial lead over right-wing Likud leader Benjamin Netanyahu than a wave of terror attacks in the run-up to polling day.

In a country deeply concerned about personal security, Palestinian guerrilla attacks strike violently at support for the peace process and the government overseas.

This is exactly the intention of yesterday's bombings carried out by the Hamas Islamic

Resistance Movement, which claimed 25 Israeli lives.

The bombings are also a powerful and ugly reminder of the continuing hatred and animosity among many Palestinians for Israel and of the potential for violence that remains at this stage of the Israeli-Palestinian peace process, now at the half-way mark in a five-year timetable.

The attacks, which ended Hamas' undeclared six-month truce, also show the failure of Palestinian President Yasser Arafat to reach a political accommodation with Islamic extremists after months of stop-go dialogue. This has strengthened the hand of hardliners inside Hamas, allowing them to reactivate their military campaign.

"Hamas has to be dealt with and it has to be dealt with politically and Arafat has not yet realised this. He still thinks he can outmanoeuvre them without giving anything," said a Palestinian member of the legislative council.

So long as Hamas remains outside the peace process and seemingly beyond the reach of the Palestinian and Israeli security services it will be able to strike destructively at the peace process and the Israeli government.

"The attacks could be a big factor in elections," said Mr Uri Dromi, government spokesman. "God forbid that we will have more attacks but at the end of the day people will have to ask themselves then what. What can the opposition do to



An Israeli near the wrecked bus yesterday holds a burning copy of the Quran

eradicate terrorism that the government hasn't tried already?"

In the past Palestinian suicide attacks, which have claimed more than 80 Israeli lives since the Israeli-Palestinian "Oslo" peace agreement was signed in September 1993, have had an immediate negative impact on the popularity of the process and the government.

But, in a move which should give the government comfort, pollsters say the Israeli public is becoming increasingly hardened to terrorist bombings and less likely to blame the government. Some pollsters believe many Israelis are now viewing Palestinian attacks as similar to bombings by the Irish Republican Army in Britain: impossible to stop.

The restrained reaction yesterday of Mr Netanyahu should also help dissipate any negative public reaction.

He refused to be drawn into criticism of the government

handling of Israeli security and called upon Likud party youth-wingers not to mount anti-government protests during a two-day mourning period.

Nevertheless, the peace process will be the central issue in the election campaign, due to open formally in six weeks. The opposition will focus its attacks on the government's peace policy, arguing that it is jeopardising Israeli security.

Although Mr Peres has consistently held a 10-20 point lead over Mr Netanyahu since last November, Israel traditionally has a large body of floating voters who could easily swing towards Likud in the wake of Palestinian attacks.

The government will continue to press the case that there is simply no alternative to going forward with the peace process. They will also pile more pressure on Mr Arafat to crack down on the extremists.

Its only other option is to meet one of the demands made

by Hamas yesterday and honour its commitments made in the peace accords to release thousands of Palestinian prisoners.

Releasing prisoners is unlikely, in itself, however, to curb Islamic opposition to the peace process. A greater responsibility rests on Mr Arafat to seek a political accommodation with Hamas which guarantees the Islamic movement genuine power-sharing in return for a cessation of violence. This, combined with more committed measures against those who refuse to give up violence, offers the best chance to consolidate the fragile peace.

Mr Arafat has shown little willingness to grasp the Hamas nettle firmly. But the Palestinian leader knows that if Hamas is not contained and continues its campaign of bombings, the future of the Labour government, and with it his embryonic state, is at serious risk.

Iraqi killings unlikely to hit oil-for-food deal

Murder of defectors is condemned but UN moves go on, write Robert Corzine and James Whittington

The murder in Baghdad last Friday of two sons-in-law of President Saddam Hussein is unlikely to have a direct impact on talks with the United Nations on possible Iraqi oil sales.

There has been widespread international condemnation of the killing of General Hussein Kamel, former head of Iraq's military procurement system, and his brother Saddam Kamel, who along with their wives returned to Baghdad last week from exile in neighbouring Jordan. But diplomats said there were no signs that the oil-for-food talks, currently in recess, would be affected.

Arab diplomats have also ruled out any long-term political consequences as a result of the murder of the two men and several other members of the family. But they said the extraordinary events in Baghdad last week would strengthen the psychology of fear already prevalent in Iraq.

The return of General Hussein Kamel "was a godsend for Saddam," said one diplomat. "It removed an irritant and returned his daughters and at the same time it sends a strong message to the Iraqi people that they shouldn't even think of opposing the regime."

Few people had expected that Gen Hussein Kamel, formerly a powerful figure in Iraq's ruling elite, would survive long in Baghdad. But his decision to return to Iraq was thought to have come only after he had been guaranteed clemency, perhaps as a humanitarian gesture by Mr Saddam aimed at the international community which he is desperate to rejoin.

"Looking back, the only acceptable explanation for his return is that it was an absurd, irrational decision made by a deluded person who believed he had reached the end of the line," said one Arab diplomat.

Iraqi officials have sloughed off criticism of the killings. Mr Nabil Najim, Iraq's ambassador to the Arab League in Cairo, said: "His end had to be expected. He deserved the death penalty because he was a traitor who caused a great deal of damage to Iraq."

Although the speed with which the two defectors - along with their father and another brother who remained in Iraq - were killed took most observers by surprise, the outcome has reminded the people of Iraq and the international community that street thuggery remains the basic staple of politics in Baghdad.

Although diplomats say the killings should not upset the UN talks, they are bound to affect the atmosphere surrounding the negotiations on UN Resolution 686, which authorises Iraq to export \$2bn of oil to raise money for food and medicine.

Some diplomats believe the events in Baghdad may make Mr Boutros Boutros Ghali, the UN secretary general, who is closely identified with the humanitarian initiative, more cautious when drawing up an implementation plan for Security Council consideration.

Even before the killings western diplomats warned that Mr Boutros Ghali's "credibility was on the line." If he comes back to the Security Council with a plan that runs into problems, then he'll take the

blame," said one diplomat. Mr Abdul Amir al-Anbari, Iraq's main negotiator, returned to Baghdad yesterday to report on the first round of the New York talks. These highlighted areas where agreement has still to be reached, including the contentious issue of how the aid will be distributed within Iraq.

Although the talks went further than previous unsuccessful attempts to reach an oil-for-food deal, some Security Council members remain wary of Iraq's intentions. "It is still an open question whether Saddam is serious about accepting 686," said one diplomat.

But state-owned newspapers in Iraq yesterday detailed preparations being made to receive food and medicines under the plan. And some diplomats believe the events make an Iraqi acceptance of 686 more likely. Mr Saddam, having seen off the most serious challenge to his leadership and "saved face" as a result of the defectors' deaths, can now afford to make concessions, they argue.

Another factor will be Mr Saddam's view of US-inspired moves in the region, especially growing rapprochement between Jordan, Kuwait and Saudi Arabia. Fears that Iraq's border with Jordan could be closed may convince him he needs to accept 686 to secure an independent lifeline to the outside world. "At the end of the day, if 686 does not fit into Saddam's bigger agenda, it won't work," says Mr Yehon Zanoan, an analyst at the Petroleum Finance Company in Washington. "But seemingly unsurmountable hurdles can be overcome if it does."

Ambitious trade goals urged by WTO chief

By Guy de Jonquieres in Brisbane

Mr Renato Ruggiero, director-general of the World Trade Organisation, has called on member governments to commit themselves to achieving in the multilateral trade system goals at least as ambitious as those they are pursuing in regional trade arrangements.

Mr Ruggiero - who has previously voiced doubts about the benefits of regional groupings - said they had now become as important as the multilateral system in shaping the development of international trade, and were contributing positively to the liberalisation of world markets.

However, he said the multilateral system differed from regional arrangements - such as the Asia Pacific Economic Co-operation forum, the North American Free Trade Agreement and the European single market - because it had set no target date for the achievement of completely free trade.

Mr Ruggiero did not explicitly endorse such a target date for WTO work. But he said he had got a strong message from an international trade policy conference in Brisbane, at which it was proposed WTO members commit themselves to creating by 2020 a global free trade area in which all would remove border barriers. He said that, as well as

matching the ambitions of regional trade groups, adoption of such an objective by the WTO could meet demands by developing countries for freer access to industrialised countries' markets.

The conference, hosted by Mr Bob McMullan, Australia's trade minister, was attended by trade policymakers from 15 Asian, European and Latin American countries and by senior officials from the International Monetary Fund, the World Bank and the Organisation for Economic Co-operation and Development.

The US was the only leading trading power not to send a senior official to the conference, one of a series of gatherings planned this year to prepare for the WTO's ministerial meeting in Singapore in December. Washington claimed that budgetary constraints prevented it from being represented in Brisbane. Mr Ruggiero said the idea of a global free trade area was likely to feature in discussions on the future of the multilateral trade system, though he did not expect it to be taken up formally in Singapore. He said WTO's top priorities were to implement the Uruguay Round world trade agreement, conclude promptly negotiations on liberalisation of telecoms and other services and continue reducing tariffs and other forms of border protection.

Keating narrows gap as Australian voting nears

By Nikki Taft in Sydney

Australia's governing Labor party yesterday appeared to be closing on the opposition as campaigning in the federal election entered its final week.

A Sun-Herald newspaper poll of marginal seats showed Labor 4 percentage points behind the coalition of the conservative Liberal and National parties, compared with as much as 13 percentage points four weeks ago.

In further boosts for Labor, Mr Paul Keating, the prime minister, seemed to have got the better of Mr John Howard, the opposition leader, in a televised debate last night, and Labor made a strong showing in Saturday's state elections in Tasmania.

A studio audience gave Mr Keating a clear win by 56 per

cent to 44 per cent in the debate - the second between the two leaders. Mr Keating was given an edge by a similar audience in the first debate but by a smaller margin.

Mr Howard repeatedly accused Labor of breaking promises - on privatisation and tax cuts - over its 13-year tenure in government.

Mr Keating countered by criticising the coalition's determination to fund its promised environment programme out of the partial privatisation of Telstra, the government-owned telecom group.

There is little guarantee the Telstra sale will go ahead, as minor parties, opposed to such a move, are likely to hold the balance of power in the Senate, parliament's upper house. In Tasmania's state election, there was a swing of more

than 10 points away from the Liberals and largely to Labor. The poll is likely to leave Labor and the coalition with 15 seats each, with Greens and an independent holding the remaining five seats.

Labor has said it will not try to govern from a minority position, so the onus is on the existing Liberal administration to try to govern.

Both Labor and the coalition have warned against drawing too close a connection between state polls - coloured by local issues - and the federal election. Moreover, the Liberals polled well in the federal seat of Bass, in north-east Tasmania. This is currently held by Labor but is the most marginal seat in the country, with Labor's edge in the 1993 election being just 40 votes. See Editorial Comment

Taiwan begins campaign for first presidential poll

By Laura Tyson in Taipei

Taiwan's presidential hopefuls began their election drives in earnest at the weekend as the official campaign period commenced for Taiwan's first direct vote for its highest office.

With voting just a month away, reports continued to mount that China, which regards Taiwan as a province in rebel hands, is massing forces in coastal Fujian province in preparation for large-scale military exercises. The manoeuvres are intended to sow worries and confusion in Taiwan ahead of the March 23 election, which China fears may be a prelude to a declaration of independence.

Taiwan's President Lee Teng-hui, the ruling Nationalist party incumbent, marked

the start of the official campaign with a rare press conference in which he emphasised the need to stabilise troubled ties with Beijing and repeated his goal of signing a peace treaty with it.

Mr Lee, who is expected to win the elections by a comfortable margin, also said that a summit meeting between himself and President Jiang Zemin of China was possible, but would have to wait until an appropriate time.

The candidate for the leading opposition Democratic Progressive party, Mr Peng Ming-min, called on Beijing to recognise Taiwan's *de facto* independence and promised friendship in return.

The former dissident, known as the "godfather" of Taiwan's independence movement, said there was no need to declare

independence as Taiwan was already a sovereign independent nation. However, he advocated an immediate declaration of independence in the event of a Chinese attack.

Mr Peng also criticised the ruling party for using its majority control of Taiwan's three television networks to promote Mr Lee's campaign and limit coverage of other candidates.

Meanwhile, Mr Lien Chen - the premier, narrowly retained his post as the head of a caretaker cabinet in a parliamentary session which went into the early hours of Saturday.

A large-scale cabinet reshuffle is scheduled for May 20 after the presidential elections. Mr Lien, who is Mr Lee's running-mate as the vice-presidential candidate, will step down as premier at that time.

Door open to wider Europe-Asia links

Bangkok summit gives EU chance to latch on to fast-growing world market

For many in Asia it is history in the making. This Friday leaders from Asia and Europe will sit down in Bangkok for a summit that will mark the first meeting between their two regions.

For some in Europe the event is mere schmoozing. There is no real agenda, and not much to expect by way of formal agreements.

Leaders who attend risk being accused of dallying idly in the Thai sunshine while their voters freeze in a European winter.

Yet as the opening draws nearer, scepticism is waning. The summit may mark the beginning of a new relationship, rather than an end in itself, but it provides an opportunity for Europe to latch on at last to a region with some of the largest and fastest-growing markets in the world.

Officials from both regions say more direct contacts are long overdue. Asia and the EU have their own institutional ties through organisations like the Asia-Pacific Economic Co-operation forum (Apec). Europe and the US have similar ties, but there are none linking Europe and Asia. Bangkok should fill the gap.

Moreover, the meeting comes as the world is still groping for a new strategic balance in the post-cold war era. The break-up of the Soviet Union, the gradual emergence of China as an international power and a perception in Asia that the US is ambivalent about its security role, have left an explosive situation in the Pacific.

There is not just the question of China's stormy rela-

tions with Taiwan. There is instability in famine-ridden North Korea and conflicting claims to the Spratly Islands in the South China Sea.

A stronger European relationship with Asia might help create a new balance of power and defuse these issues.

Some Asian countries, such as Singapore, make little secret of their desire to use the summit as a means of involving China in another web of multilateral relationships to reduce bilateral tensions in Asia.

Others focus more on the desire for a counter-balance to the US with its aggressive bilateral approach to trade issues.

However these broader security issues underlying the summit are unlikely to be broached directly. There will be talk of reforming the United Nations and the need to avoid nuclear proliferation, but the main agenda is likely to be economic.

It will focus on investment flows and on laying the groundwork for the World Trade Organisation ministerial meeting in Singapore in December.

At one level the trade and security issues are intertwined. Asian countries have a huge need for capital. More investment in Asia would give Europe an economic stake in the region and therefore enhance its interest in Asian security.

Strikingly little European investment has flowed to Asia despite its booming economy. While Asia is the EU's largest export market, its share of that market is shrinking and total investment flows in 1994

were just Ecu2.8bn (£2.3bn), of which a large chunk was for oil and mineral extraction rather than manufacturing.

Prof Sutchaphand Chirathivat, an economist and acting director of Chulalongkorn University's European studies programme in Bangkok, says there is a dynamic relationship between trade and investment: "The Japanese find it much

not just in the Organisation for Economic Co-operation and Development, where it is being discussed by industrial countries.

One concrete result of Bangkok is likely to be a meeting of senior trade officials, to be hosted by the European community in Brussels in the summer, to forge a common agenda for the Singapore meeting at a

sort of relationship it wants with a region that is rapidly becoming pivotal.

Yet there are hurdles in the way of even that basic goal. One is a European lack of understanding of Asia's laid-back style. This focuses on informal contacts between leaders with no negotiation, no head-on confrontation over difficult issues and the sketchiest of pre-set agendas. While the process is as important as substance to Asians, Europeans like hard-nosed talking with more tangible results.

A more serious threat is arguments over human rights. Some European countries such as Sweden are keen to raise issues such as the treatment of children in Chinese orphanages. Portugal has a specific concern over Indonesia's annexation of its former colony, East Timor. At one stage a confrontation over this threatened to disrupt proceedings but officials in both regions now say they think the issues can be finessed.

But there could still be differences over a European Commission proposal to link labour rights to trade. Sir Leon says Europe only wants to engage in discussion on this matter, not impose new policies on developing countries. Besides, Europeans, who are expected to offer a follow-up summit hosted by the UK in 1998, are aware of the need to avoid unseemly argument. "We are going there to bridge a gap, not to start a fight," says one French official.

Peter Montagnon and Ted Bardacke

Major visit raises HK visa hopes

By Peter Montagnon in London

The UK may announce an agreement to grant visa-free entry to Hong Kong citizens after the territory's handover to China in 1997 when Mr John Major, prime minister, visits the colony next weekend, according to Mr Martin Lee, leader of Hong Kong's Democratic party.

"The fact that he's decided to go to Hong Kong could mean that he's got good news to announce," he said in London after meetings with British government officials. UK officials declined to comment. Mr Major will travel to Hong Kong after this week's Europe/Asia summit in Bangkok where he will meet Mr Li Peng, the Chinese premier, on Thursday.

Members of Hong Kong's Legislative Council, including Mr Lee, have been pressing for visa-free entry for Hong Kong citizens after 1997. This has so far been resisted by Mr Michael Howard, UK home secretary, who is worried that it could create a backdoor entry to Britain for mainland Chinese.

Britain will continue to have a responsibility for Hong Kong after 1997 because its joint liaison group with China will continue to meet on handover issues until 2000, Mr Lee said. It would therefore have closer connections than any other country and should take the lead in granting visa-free entry to holders of the special passports that China will issue in the territory. See Observer

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US and Japan seek to ease island tension

By Christopher Parkes
in Los Angeles

President Bill Clinton and Mr Ryutaro Hashimoto, Japan's new prime minister, parted on first-name terms at the weekend, after a briefing first meeting to set priorities.

Acknowledging, but side-stepping, urgent trade issues, the two leaders spent much of their hour of talks at Santa Monica reviewing the damage done to security relations by the alleged rape last year, on the Japanese island of Okinawa, of a schoolgirl by US servicemen.

They agreed a joint committee should consider the redeployment of the 47,000 US military personnel stationed in Japan, possibly to reduce the heavy concentration of forces, and ease the continuing tension on Okinawa.

Mr Hashimoto appeared to send a signal for easier relations on economic issues, with a promise of deregulation in the housing industry which should improve US exporters' opportunities.

Little attention was paid to more pressing matters, although the Japanese leader gave renewed hints that he was relaxing his hitherto forceful resistance to renewing a 1986 agreement, due to expire on July 31, that Japanese electronics companies buy at least 20 per cent of their semiconductors from foreign makers.

Instead, the leaders contented themselves with sizing one another up before formal talks during the US president's planned state visit to Japan on April 16, and providing evidence for their respective electorates that they would be able to advance co-operation between the two countries.

Supported by Mr Clinton, who said bilateral talks were often quicker and more effective than more complex dealings, Mr Hashimoto said he wanted to resolve economic differences without exacerbating the debate. "It is very important to be low-key on these kinds of issues," he said.

For Mr Clinton, meeting his fifth Japanese prime minister since he took office in 1993, the focus on Okinawa seemed likely to bolster his support in the US presidential election this year, within California's extensive Japanese community.

Strong suggestions from Mr Hashimoto that Japan might at last be ready to align its laws on copyright of sound recordings with those of other industrial nations went down well in the local entertainment business.

Earlier, also while in California, Mr Clinton had raised his stock locally when he told cheering McDonnell Douglas aircraft workers he had asked Congress for funds to allow higher production targets for C-17 transport aircraft.

He also took the opportunity to take a shot at Mr Pat Buchanan, the rising Republican presidential hopeful, whose campaign has been lifted partly by his stance against trade liberalisation and who, on Thursday, had declared himself ready "unilaterally" to end Japan's trade surplus with the US.

Mr Clinton, whose aides stressed the rapid decline in Japan's trade surplus since last year's agreement on car imports, endorsed the middle path between being "uncritically in favour of free trade" and "pulling up the rug and closing our borders."

Alarm over protection with new bite in '97

Nancy Dunne finds liberal trade backers in the US worried about a Buchanan-minded Congress

The victory of Mr Pat Buchanan in the US Republican party's New Hampshire presidential primary has sounded an alarm for the Washington "trade mafia", the loose-knit group of economists, policy analysts and corporate lobbyists that has long backed liberalised trade policies.

Mr Buchanan has been running exuberantly on a protectionist platform, promising to withdraw the US from the World Trade Organisation and the North American Free Trade Agreement (Nafta), and to impose huge tariffs on goods entering the US from China and Japan.

The agenda of the free trade lobby has already been frustrated by the Republican-controlled Congress, which has been unable to agree on a bill to give the president negotiating authority for the expansion of Nafta.

This lobby's main concern is about the congressional elections in November, on the same day as the presidential poll. The contest for the White House still seems likely to be between President Bill Clinton and Senator Robert Dole, the Senate majority leader, so Mr Buchanan's current success causes less unease.

Eighty members of the House of Representatives have already signed up to back what would become the Nafta Accountability Act, which would virtually guarantee US withdrawal from Nafta or its renegotiation. This bill is given little chance of passage this year, but a new, aggressively protectionist Congress could approve similar legislation in 1997.



Mover and shaker: Pat Buchanan campaigns in Arizona at the weekend. PHOTO BY AP

"There is increasing concern that Buchanan's message will spread around the body politic," said Mr Harry Freeman, a business lobbyist. "When it comes to the Congressional races, a good portion of Republicans and Democrats could run on the same anti-trade message."

The worry is compounded by the large number of senators and congressmen, both Republicans and

Democrats, who have long supported liberalised trade but are retiring. Their successors may well agree with Ms Lori Wallach of the public interest group Public Citizen, who pointed to the two-decade decline in real incomes in the US and the growing gap between rich and poor. She called for "a new game plan."

The constitution gives Congress jurisdiction over trade matters, but

authority has been flowing towards the president since 1945. A determined Congress could regain its sway.

There is anxiety among Republicans that a Buchanan presidential candidacy would split the Republican party. But the administration's trade policies have already divided Democrats. This dates back to the negotiation of Nafta side pacts on labour and the environment, after Mr Clinton, then a presidential candidate, had promised to "fix" the Nafta negotiated by President George Bush.

Mexico resisted, and Mr Mickey Kantor, US trade representative, was overruled by the White House when he wanted to take a strong stand. The resulting deals were toothless, and erstwhile Clinton supporters were outraged enough to form a coalition to educate voters across the country about the evils of trade deals negotiated by and for big business.

"Kantor was a successful, loyal, political soldier," says Mr Mark Ritchie, president of the Institute for Agriculture and Trade Policy. "He could have protected the president's left flank, but he protected his Wall Street flank instead."

Opponents of Nafta have not been gloating about the success of Mr Buchanan's trade message. Mr Brent Blackwelder, president of the Citizens' Trade Campaign, issued a statement noting that the New Hampshire vote reflected "widespread disenchantment with the promises made by free trade politicians." However, he rejected the Buchanan agenda.

"Mr Buchanan would have us build a fence on our southern border to isolate the US from its Mexican neighbours - a short-sighted and mean-spirited solution," he said.

Foes of Nafta and the WTO are often simplistically dismissed as protectionists, but most of them argue that they would support trade deals written to protect workers and the environment.

They draw a distinction between the globalisation, under way among multinational companies, and globalism as a co-operative effort supported by environmentalists, labour and human rights activists.

Many opponents of Nafta and the WTO believe the business lobby grew arrogant, accustomed to having its way under Republican presidents, and saw no need to compromise with the current Democratic administration.

"It was a serious mistake to let business write trade policy," said Mr Alan Tonelson, a policy analyst with US Business and Industrial Council. "Bill Clinton said he would put people first, but unfortunately he put Wall Street first. It was a complete betrayal of Democratic party principles."

Ms Susan Aaronson - author of *Are There Trade-offs When Americans Trade?* - said the business lobby had erred by engaging in raising high expectations for the trade initiatives. "There will have to be adjustment. But Buchanan's logic is flawed. You can't say trade is a global problem and then posit domestic solutions. You have to find global solutions."

Party disputes threaten Mexico electoral reform

By Daniel Dombey
in Mexico City

A series of political rows has erupted in Mexico, threatening to derail a long-awaited programme of electoral reform.

Negotiations to deliver proposals in time for the next session of Congress in March have been damaged by the main opposition party boycotting them, while a row about investigations of a political assassination may poison the atmosphere still further.

The reform is close to the heart of President Ernesto Zedillo, who has argued that his own election was legitimate but not altogether fair.

Previous electoral reforms have left his ruling Institutional Revolutionary Party (PRI) still with far more money and access to news media than its rivals.

But the right-leaning opposition National Action Party (PAN) is boycotting the talks over a disputed result in a local election. A victory initially awarded to its candidate

was overturned because of what the PAN calls no more than the usual minor discrepancies, such as consistency of officials' signatures.

Suspensions run high because the governor of Puebla state, where the election was held, Mr Manuel Bartlett, was the interior minister in charge of the elections in 1986 that brought Mr Carlos Salinas to the presidency amid accusations of fraud.

Relations between the parties took a further dive at the end of last week, when PRI officials attacked the country's attorney-general - Mr Antonio Lozano Gracia, whom Mr Zedillo chose from the PAN, in an early gesture of conciliation - for his management of an investigation of the assassination two years ago of Luis Donaldo Colosio, then the PRI's presidential candidate.

A confessed killer was convicted, but the investigation has maintained the hypothesis that the assassination was the result of a conspiracy.

Cloud over Menem visit to France

By David Pilling
in Buenos Aires

New testimony about the murder of two French nuns during Argentina's "dirty war" of the 1970s threatens to overshadow the arrival of President Carlos Menem in Paris today, at the start of a three-day official visit.

Mr Menem hopes to strengthen commercial ties with France, one of the biggest investors in Argentina's radical privatisation programme. He will treat as an unwelcome distraction claims by a former military official that the two nuns were dragged and thrown alive into the sea.

France has long demanded the extradition of a naval captain, Alfredo Astiz, who in 1980 was condemned in absentia by a French court to life imprisonment for his involvement in the nuns' death. A lawyer for the victims' families said at the weekend he would ask Argentine courts to reopen the case.

The nuns, Alice Domon and Léonie Duquet, disappeared in December 1977, when Argentina's military government was torturing and killing thousands of civilians. Mr

Adolfo Scilingo, a former naval captain who last year revealed that death flights had been routine, said on Friday the nuns had been among those hurled out of aircraft.

Mr Carlos Corach, Argentine interior minister, said: "Nothing [Scilingo] says can in the least damage" the president's visit, in the company of 40 Argentine business executives.

French-Argentine relations have been generally good since Mr Menem assumed the presidency in 1989. French companies have invested nearly \$3bn in Argentina during the 1990s, taking big stakes in telecommunications, water utilities and food processing.

Among the commercial issues to be discussed will be a threat by Tucumán province in Argentina to cancel a water utility concession awarded to Compagnie Générale des Eaux.

Mr Domingo Cavallo, Argentine economy minister, will seek to reassure French business that Argentina remains a predictable environment for investment. Argentina hopes that French companies will participate in the planned privatisations this year of airports, nuclear power plants and hydro-electric dams.

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NEWS: UK

Wisconsin may build separate freight railway

By Charles Batchelor,
Transport Correspondent

Wisconsin Central Transportation, the new US owner of British Rail's heavy haul freight operations, may build its own freight railway lines in Britain if Railtrack, the company responsible for the track network, is not willing to devote resources to freight operations.

"We would talk to Railtrack about building our own sections of freight-only track," Mr Ed Burkhardt, Wisconsin president and chief executive, said at the formal handover of BR's Trainload Freight business, which Wisconsin bought for \$225m (\$346.5m).

Mr Burkhardt said he was "not sure" there was sufficient incentive in the privatised railway structure for Railtrack to invest in freight services, which account for 10 per cent of the revenues generated by passenger traffic.

Wisconsin and BR said they did not expect the discovery of alleged "procedural irregularities" at Trainload Freight, which led to the suspension of two senior managers on the eve of the sale, to affect the transfer. BR is carrying out an inquiry into the way spending of up to \$500,000 had been classified in the accounts. Wisconsin

plans to invest heavily in new locomotives - it will need up to 300 at a cost of £200m to £250m over the next five years - and is considering cutting the workforce.

Mr Burkhardt hinted at the prospect of tough negotiations between Wisconsin and Railtrack over the level of access fees charged by Railtrack for allowing freight trains on the network. The split of track ownership from train operations was unlikely to be satisfactory in the long term, according to Wisconsin.

"We would expect Railtrack to act commercially, but the split of track ownership from operations means there could be problems when you want to build a siding," said Mr Burkhardt. "We think we will get there, but there could be a few rocks on the way."

Wisconsin expects to pay 30 per cent of its UK revenues to Railtrack in the form of access charges, a higher percentage than it devotes to maintaining its 4,500km rail network in the US, he added.

The US company has no plans to acquire a shareholding in Railtrack, which is due to be floated on the London stock market in May, but it intends to use the run-up to flotation to negotiate lower access charges for freight trains.

By Our Transport
Correspondent

Big cuts in staff numbers and a thorough shake up of working practices at British Rail's heavy haul freight operations are promised by the new US owner of the business.

Wisconsin Central Transportation employs 1,800 people in the US, including 500 managing the rail infrastructure which in the UK is the responsibility of Railtrack. Trainload Freight, which runs an operation similar in size to the UK, employs 7,500 people.

Mr Ed Burkhardt, the president and chief executive of Wisconsin, said that big reductions in managers, clerical and manual staff were likely.

Companies shipping goods by rail and those looking to develop rail shipments as an alternative to road are hoping that the Wisconsin team will bring a new focus to an operation which has long been the Cinderella of the rail network.

Wisconsin was set up by Mr Burkhardt in 1987 after deregulation of the US rail network allowed the disposal of rail assets - without the crippling job protection regulations which had held back profits and productivity.

Mr Burkhardt, 57, has spent his working life on the railway. He studied industrial management and transport at Yale before joining the Wabash Railroad in Indiana. He then moved to Chicago & North Western where he spent 20 years.

Based in Rosemont, Illinois, Wisconsin runs 4,500km of freight network in the US and



Taking control: Ed Burkhardt (left) with John Welsby, the BR chairman, on a Loadhaul locomotive

has bought rail operations in Canada and New Zealand. It made a profit of \$37m on turnover of \$211m in 1994.

Wisconsin persuaded the British government to reverse a decision to split BR's heavy freight operations into three separate companies and has acquired all of them, with a combined turnover of \$595m.

It believes it can reverse the decline of rail transport - now down to just 6 per cent of the freight market in the UK - by improving the quality of service.

"We have demonstrated in our railway operations in the US, New Zealand and Canada that we can move rail traffic upward after a period of long-term decline," said Mr Burkhardt. Wisconsin has tripled its freight volumes in the US in the nine years since it was set up and has raised volumes by 10 to 12 per cent a year since it acquired New Zealand Rail in 1993.

Wisconsin has denied that its accident rate is too high. In reply to reports that 20 people

had been killed in the past two years in incidents involving Wisconsin trains, the company said the safety figures were "skewed" because much of its work involved shunting in congested yards and because they included "minor" accidents.

The British Department of Transport dismissed suggestions that the company's accident rate was three times higher than the average for comparable US railway companies.

London Stock Exchange 'Seaq is like an old comfortable jacket, but one day it's going to wear out'

Investors and brokers say reforms are unnecessary

By George Graham
and Norma Cohen

The London Stock Exchange is coming under increasing pressure from investors and brokers to pull back from plans to introduce order-driven electronic trading alongside the current market-making system.

A broad range of insurance companies and pension fund managers, as well as some market-making investment banks and private client brokers, have all told the exchange that they see no need to change the

system. "First indications are that the majority of our membership firmly hold the view that neither they nor their clients believe that the quote-driven system of trading in London needs a fundamental reform," said the Association of Private Client Investment Managers and Stockbrokers.

"I don't think they have demonstrated that the change they have outlined would actually improve things," said one institutional fund manager.

The stock exchange tried to win over the investment community at a meeting hosted by National Westminster

bank earlier this month, but failed to sway many fund managers. Some UK and international investment banks, which have spent heavily to buy marketmakers, have been reluctant to oppose order-driven trading openly but are clearly relieved to have investor opinion on their side. But other stockbrokers are less happy about the groundswell of opinion running against swift introduction of order-driven trading.

"There are some backwoodsmen in the industry," said one. In the current system, marketmakers list the prices

at which they are willing to buy or sell shares on the stock exchange's Seaq screen, but deals are actually struck over the telephone.

With the introduction of the exchange's new Sequence 6 technology this year, it will become possible not only to quote prices but also to carry out trades electronically. That opens the way for one investor's buy order to be matched automatically with another investor's sell order, sidestepping the marketmakers entirely. In a consultation document issued to member firms and investors

in January, the stock exchange invited comments on how order matching should be introduced.

Should it be used for the most, or least, liquid stocks? Should the order and quote systems be linked? Should investors who negotiate a large block trade be required to meet smaller orders at the same price?

Many replies took issue with the assumption that order matching should be introduced. But one senior marketmaker warned: "Seaq is like an old comfortable jacket. But one day, it's going to wear out."

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Former chief breaks silence over dismissal

By James Blitt
at Westminster

For several weeks Mr Michael Lawrence, former chief executive of the London Stock Exchange, has stayed silent about the events which led to his departure from office in January. But in written evidence to the House of Commons Treasury committee he goes into detail. He strongly implies that he was sacked because of the determination of leading marketmakers to reassert their influence.

In the immediate aftermath of Mr Lawrence's dismissal Mr John Kemp-Welch, the exchange chairman, said that the chief executive had been removed from the post after losing the confidence of members. But Mr Lawrence says that there are "obvious inconsistencies" in the position taken by Mr Kemp-Welch. In a clear reference to marketmakers, he claims to have been seen "as an impediment to a return to the previous mechanisms of detailed control of the exchange by some of its members".

Mr Lawrence's account starts last autumn, when he says that the reforms he was implementing were fully backed by Mr Kemp-Welch and the exchange's leading figures. At the heart of the reforms was the development of a hybrid trading system, combining marketmaking with an "order-driven" alternative which would allow brokers to place on screen offers to buy and sell only those blocks of shares they want to trade at that moment.

The reforms were opposed by marketmaking institutions, who feared that the new systems would undermine their position. But as late as November, Mr Lawrence says, the chairman "assured me of his support for the trading reforms". The board, in spite of lobbying by institutions, "fully supported the proposals".

He adds: "I received no warning at any time that I did not enjoy their support, although we were all aware of the opposition of certain marketmakers." At this stage market-making institutions with most to lose from the new arrangements started to voice their concerns more forcefully.

Big marketmakers were considering leaving the London Stock Exchange and setting up their own trading organisation before the firing of Mr Michael Lawrence as the exchange's chief executive in January, said a senior marketmaker. Sir Nicholas Redmayne, the chief executive of Kleinwort Benson, told the House of Commons Treasury committee that some marketmakers had considered breaking away and trading either through Reuters or through their own dealing organisation. "There was a danger, but only a danger, that the whole thing could break apart," he said.

First the exchange's board met and marketmakers were offered "significant representation" on a subcommittee which had been convened to steer through the trading changes.

Immediately after Christmas Mr Kemp-Welch told Mr Lawrence that he had decided to hold a meeting "to let the board know of the concerns of member firms" about the issue.

Mr Lawrence does not make any reference to the particular series of events which may then have triggered his departure. But a senior source connected with the affair has pointed out that there was a strong correlation between those board members who exercised an influence over appointments and the marketmakers who might most suffer from the reforms.

According to Mr Lawrence the climax to events came at the start of January, shortly before another meeting of the board. He says that just before the meeting Mr Kemp-Welch and other exchange officials "advised me that I had lost the board's confidence" and that the purpose of the meeting "was to secure my removal from office".

Mr Lawrence adds: "He [Mr Kemp-Welch] stated that he had talked to each board member the previous day, excluding the executive directors who had not been consulted, and they would support his demand for my resignation or dismissal."

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UK NEWS DIGEST

Sinn Féin seeks to 'rebuild peace'

British government officials will today meet Sinn Féin representatives for the first time since the Irish Republican Army abandoned its ceasefire amid signs of progress in the Northern Ireland peace process. As tens of thousands of people marched for peace in towns across Ireland, Mr Martin McGuinness, who will head the Sinn Féin delegation, said the purpose of the discussions was to "examine how the peace process can be rebuilt".

The British prime minister's commitment to keep the peace process above the daily battle between the main political parties also received a boost yesterday when Mr Jack Straw, the opposition Labour party's shadow home secretary, who said he was recommending that Labour should not vote against the Prevention of Terrorism Act for the first time in more than a decade.

There was also an indication of a rapprochement between Mr John Hume, leader of the constitutional nationalist Social Democratic and Labour party, and Mr David Trimble, leader of the Ulster Unionist party, the largest pro-British party in Northern Ireland. Mr Hume, speaking on BBC Television, gave muted support for Northern Ireland elections as a precursor to all-party talks.

Robert Peston at Westminster
and John Murray-Brown in Dublin

Ernst & Young defends criticism

The senior partner of one of the Big Six accountancy firms yesterday defended its outspoken attack on the Accounting Standards Board, UK's leading standard-setter, and accused the rest of the profession of not wanting "to rock the boat" on important issues. Ernst & Young, in a paper circulated to chairmen and finance directors at hundreds of leading companies, had said accounting as a financial language was in danger of being taken over by academic theorists who used the UK economy as a "test-bed".

Mr Nick Land, senior partner at Ernst & Young, said the firm's criticism of the ASB under Sir David Tweedie was "heartfelt" and rejected suggestions that it was a marketing ploy. Sir David, speaking in one of the profession's leading magazines, dismissed Ernst & Young's critique as having "all the vision of a mole and the eloquence of a whoopee cushion".

Other members of the Big Six have joined the debate. Mr Ian Brindle, senior partner of Price Waterhouse and a member of the ASB, said: "This is a cheap publicity gimmick. What the hell are Ernst & Young up to? They should be ashamed of themselves."

Jim Kelly, Accountancy Correspondent

Fraudster aims to repay

Mr Peter Clowes, the convicted fraudster released on Thursday after serving four years of a 10-year prison sentence, said he would work to repay investors who lost £16m (\$24.6m) in the Barlow Clowes investment group.

Mr Clowes said his "number one aim" was to pay back money still owing to former investors. "Investors have not had their full money back, but I am going to see that they are going to get what they're owed, with interest," he said. It would be "inappropriate" to explain how this would be done, he added. Mr Clowes, who headed the Barlow Clowes empire before its collapse in 1988, said he would seek to clear his name in the courts and threatened to sue the Serious Fraud Office.

The UK Treasury is trying to recover some of the lost money by serving a writ on Mrs Pamela Clowes, Mr Clowes' wife. The Treasury said: "The writ is in line with the government's overall policy to recover as much as possible from the Barlow Clowes affair."

Richard Donkin and Graham Bowley

Feelgood factor 'remains elusive'

The feelgood factor will remain elusive this year even if the chancellor cuts interest rates again, Coopers & Lybrand, the accountancy and consultancy firm, warns today. The firm casts doubt on the government's forecast that the economy will grow rapidly in 1996 underpinned by strong consumption. Its latest UK Economic Outlook warns that businesses cannot rely on a recovery in consumer confidence back to pre-recession levels of the late 1980s.

Ms Rosemary Radcliffe, head of economics at Coopers & Lybrand, said there would be no recovery in house prices while structural shifts in the jobs market towards more short-term, part-time working meant consumers would remain cautious. She said GDP would grow by 2 per cent this year in contrast to Treasury expectations of 3 per cent growth.

"If the French and German slowdowns turn into recession, which cannot be ruled out, even our central scenario of a modest 2 per cent UK growth rate may prove optimistic," she said.

Graham Bowley, Economics Staff

Scottish investors fear tax rise

Scottish financial institutions are pressing the opposition Labour party to address fears that potentially higher taxes on investments after devolution could scare off investors. The realisation that the party's plans for a devolved Scottish parliament with tax-raising powers could result in dividends being more heavily taxed in Scotland than England has alarmed the Scottish financial community.

Under Labour's plans for Scotland, tax on income could be levied up to 3 per cent higher in Scotland than in England. Because dividends are taxed at source this may mean that investors, either in Scotland or elsewhere, could face a heavier tax burden on Scottish investments. Mr George Robertson, Labour's spokesman on Scotland, acknowledged the potential problem, but said the party was in close talks with Scotland's financial community.

James Harding, Westminster

This notice is issued in compliance with the requirements of the London Stock Exchange. Application has been made to the London Stock Exchange for the Series A ELITES redeemable into Ordinary Shares of 25 pence each of British Airways PLC issued by BZW Equities (Bermuda) Limited and guaranteed by Barclays Bank PLC to be admitted to the Official List. It does not constitute an offer or invitation to any person to subscribe for or purchase any shares. It is expected that Listing will become effective and that dealings in the ELITES redeemable into Ordinary Shares of 25 pence each of British Airways PLC will commence on 26th February 1996.

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Dated: 26th February 1996

مكاتب التوظيف

هنا امنه الاصل



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THIS WEEK

Taciturn diplomat in Russian thriller

The improbable story so far. Michael Emerson, formerly the European Commission's top Moscow diplomat, is the target of an anti-fraud inquiry in Brussels.

His accuser is a retired Nato airman-turned-author who says that he is worried about KGB reprisals. The lady in the middle is a tall Russian called Elena. She is married to the American but appears to have divided allegiances. Elena is also on the European Commission payroll.

Let us be clear. Emerson, 55, is a career diplomat of 23 years' standing with a glittering reputation as an economist.

He helped launch the European monetary system in early 1977, working for Roy Jenkins, then the Commission's president. Colleagues describe Emerson, Oxford and Harvard-educated, as an unworldly, monk-like figure. Any interest in money is cerebral only. That he is involved in improper defies belief.

The allegation is that he abused

his position as ambassador to set up a private business with a St Petersburg businessman by the name of Ilya Baskin.

Emerson rejects any suggestion of misconduct. He told Commission investigators his contacts with Baskin involved only the possibility of setting up a future consultancy. At no point was he touting for business.

We will know shortly whether the Emerson affair is Greek tragedy or a cheap thriller ending in a verdict of innocence.

Just now, the only positive result of much negative press coverage is that it has highlighted an obscure, hugely expensive EU aid programme known as Tacis.

Tacis is the ugly acronym for the EU's programme of technical assistance to the former Soviet Union, intended to promote its transition

DATELINE

Brussels:
an anti-fraud investigation has highlighted an obscure, expensive EU aid programme called Tacis, writes
Lionel Barber

to a market economy. Between 1991 and 1995, the EU committed Ecu 2.2bn (£1.5bn) to Tacis. During the next four years, it will provide a further Ecu 2.2bn. That makes Tacis one of the big-

gest multilateral aid programmes of its kind. It is a case study for the EU's faltering progress toward a common foreign policy.

When EU leaders agreed to launch Tacis in December 1990, the idea was to encourage the reform movement led by Mikhail Gorbachev. Within six weeks, the programme was put on ice after Moscow's bloody crackdown in Lithuania.

By the time Tacis funds started flowing again, Gorbachev was on his way out and the Soviet Union was about to break up. A programme designed for a centrally-run Soviet Union suddenly found itself without a client.

Tacis was a good idea, but five years too late. The programme suffered, too, because the member states failed to match big ideas with adequate resources.

The Delors Commission was also at fault. It was so anxious to seize a role in foreign policy that it took charge of a multi-billion dollar aid programme with a handful of staff, most of whom were close to a nervous breakdown after the first six months.

Tacis's crash-start in 1991-93 ensured that millions of dollars were wasted. Money flowed to feasibility studies for projects which never actually materialised. Russian administrators took part in the programme one day and disappeared the next. Often they saw more profit in becoming capitalists themselves.

Yet Tacis also provided vital support for the nuts and bolts of a market economy, using carefully selected western consultants.

Useful causes include privatisation, banking liberalisation, envi-

ronmental aid, reform of the civil service and the retraining of nuclear rocket scientists.

Critics say that Tacis money has been spread too thinly, notably in Russia. But Tacis has had better results in the war-torn Caucasus where local administrations have been more willing to accept foreign direction.

"The EU has single-handedly led the policy of privatisation in Armenia, Azerbaijan and Georgia," says one official.

The most serious charge against Tacis is that it is slow-moving and top-heavy. The Commission has started to be more flexible about how money is spent, releasing money more quickly for smaller projects at the "retail" level in the regions.

Yet the laborious vetting procedures instigated by Brussels for

supervising larger projects are intended to prevent fraud, and to ensure that funds are directed to the consultants providing the know-how.

No Tacis money passes directly to Russians, Armenians, Ukrainians or any other locals - unless, of course, they happen to run a consultancy.

Which brings us back to Michael Emerson. After more than five years in Moscow, he might have expected a big promotion. But his path was blocked because all top jobs in the Commission are filled out according to national quotas or "flags".

He also lodged a request for early retirement, taking advantage of the generous Article 50 provision used to ease out non-performers, but was rejected on cost grounds.

In these frustrating circumstances, it is hardly surprising that the buttoned-up bureaucrat decided it was time to take a risk. We will watch his progress in the Wild East with interest.

PEOPLE

Murdoch's news dynasty

The media mogul's children have high aspirations, writes Alice Rawsthorn

If anyone seemed set to prove the Buddenbrooks theory of corporate dynasties, whereby a dynamic entrepreneur creates a successful company only for it to be eroded by the incompetence of future generations, it was Rupert Murdoch.

As a schoolboy he was wont to sneak away from Geelong Grammar, his snooty Australian private school, to bet on local horse races, and as a university student he placed a bust of Lenin on his mantelpiece. There was little evidence that he was an ideal candidate to inherit the Australian newspaper empire founded by his father, the redoubtable Sir Keith Murdoch.

Rupert Murdoch, who inherited that business at 21, has since turned it into News Corporation, one of the world's most powerful media empires with revenue of \$5.2bn (£3.9bn) last year. More he seems set on defying the Buddenbrooks theory again by encouraging his own children to succeed him. His eldest son, Lachlan, 34, is deputy chief executive of News Corp in Australia, and last week Murdoch appointed his daughter, Elisabeth, 27, to a senior post at BSkyB, his UK satellite TV operation.

Neither of Murdoch's other children works for the family firm. Prudence, 39, the only child of his first marriage, to Patricia Booker, a former air hostess, shows no inclination to do so. James, 22, third child of his second marriage, to Anna Torv, whom he met in the 1980s when she interviewed him - she was a bright young editor on one of his Australian newspapers - may decide to join, but is busy with his own record business in New York.

It takes little imagination to see why Prudence might have chosen to drop out of the running. The pros-

pect of one of Rupert Murdoch's children bidding to become a media mogul seems just as intimidating as it would be for a child of Bill Gates to go into computer programming.

At best, they will be hard pressed to match their father's achievements. At worst, they may end up like John Lennon's son, Julian, whose bid for rock stardom only yielded a couple of hit records, or like Rocco Forte, who had to tell his father that Granada had taken over the family firm.

Neither Elisabeth, Lachlan nor James seems short on ambition. Lachlan has admitted in an interview that because of his relationship with his father he felt an overwhelming need to prove himself. Even James has changed his mind about working for News Corp. "I guess I will always be involved," he has said, "it is the family business."

Elisabeth seems the most openly ambitious. The Murdochs are a family of strong women. Elisabeth was named after her octogenarian grandmother, as formidable a figure as the late Sir Keith. Anna Torv gave up her career to look after the children, then studied for a degree and published a novel rather than risk becoming "a whining wife". Elisabeth once said she did not see how she and her brothers "couldn't be ambitious - being relatively sane normal people", adding that Lachlan's promotion "does make me feel like I have to hurry up".

She and her brothers were brought up in a work-dominated environment. Although Rupert Murdoch clearly was - and remains - besotted by Anna, he spent most of their New York honeymoon locked in meetings.

All three siblings did well academically, and graduated from prestigious US universities: Elisabeth



Siblings take centre stage: Elisabeth and Lachlan Murdoch

from Vassar. Lachlan from Princeton. James from Harvard.

Elisabeth went straight into television and in 1994 bought two Californian television stations affiliated to her father's Fox network with her husband, Elkin Planim, whom she met while at Vassar. They bought the stations with a \$35m loan from her father and sold them after little more than a year, emerging with a \$12m profit and a reputation as ruthless cost cutters.

Lachlan worked at various Murdoch papers after Princeton, including The Times, where a journalist who took him to the pub was telephoned there and warned: "What-

ever you do, don't get him pissed." Lachlan saved him the trouble by ordering orange juice. He has since moved back to Australia where he played an important role in last year's negotiations to form News Corp's rugby "super-league" and late last year was appointed to the News Corp executive committee.

James alone has shown signs of their father's youthful rebelliousness, but he too now seems reconciled to a career with News Corp. His sister, Elisabeth, clearly rates him highly and recently suggested that the Murdochs' would-be music mogul may prove to be "brighter than all of us".



Dingman launches paper bag raid from Czech base

Bahamas-based investor Michael Dingman's purchase of a controlling stake in Russia's largest paper bag maker last week is just the kind of bold, hands-on foreign investment Russia needs to get its monster, Soviet-era industrial plants back to work, Anthony Robinson writes.

But it is precisely the kind of investment which most potential investors in Russia are currently loath to make. Instead, they sit nervously on the sidelines awaiting the outcome of the presidential elections in June, muttering about it all being "too risky".

Yet 54-year-old Dingman takes the view that investing in eastern Europe is a lot less risky than putting money in US stocks, with the Dow Jones average hovering around the 5,600 mark. His way is to tackle the former Soviet market from a strong base in the Czech Republic, and forge links between cash-strapped, marketing-weak companies in industries such as paper, glass and oil.

He created his Czech base last October when he invested more than \$250m (£162m) buying controlling stakes in eight Czech companies. His advisers were two ambitious young men in their thirties: Viktor Kozenny, the 33-year-old "father" of Czech investment funds, another Bahamas resident, and Daniel Arbess, a Prague-based Canadian lawyer who is now a partner in the Stratton Group, Dingman's eastern

investment vehicle. Dingman, former chairman of Allied Signal, the US conglomerate, and still chairman of Fisher Scientific International, made his fortune as "an asset and cash-flow driven investor", specialising in turnarounds. His trademark has been to spot under-valued assets and inject financial, technical and marketing skills.

"His experience in industry has given him an incredible capacity to pick exactly the right guy to do the specific jobs required to turn companies around," Arbess said last week, en route from Segheha, north-east of St Petersburg, where he met the 8,000 employees of what is now the Stratton-controlled paper bag plant. Among the entourage was Lou Ross, former chief operating officer of Ford, who is also on the Stratton team.

Dingman believes there is sky-high potential in the former Soviet Union, where enterprises are typically huge, starved of working capital and hopeless at marketing. But his belief in synergy will not only be tested in Russia.

Last month he signed an oil and gas exploration deal with the Emirates state of Ras-al-Khaimah, which is believed to have reserves of about 400m barrels of oil and 1.2bn cu feet of gas. Viktor Kozenny, who suggested that Dingman include oil drilling equipment maker Moravsk Neftovye Doly among his Czech purchases, is a director of the company set up to look for the hydrocarbons. Moravsk will supply much of the equipment.

Fulford eyes RJR Nabisco

RJ Reynolds Tobacco is Imperial Tobacco "in spades," says Ron Fulford, the man who wants to get his hands on the cigarette business of RJR Nabisco, the US company still struggling after its record \$28bn leveraged buyout seven years ago, writes Roderick Oram.

Fulford took a step towards his goal last week by resigning as executive chairman of Imperial, one of the UK's largest cigarette makers and a subsidiary of Hanson, the fragmenting conglomerate.

In nine years at Imperial, he turned the troubled company into the lowest cost cigarette maker in Europe with an operating profit margin a handsome 45 per cent of sales. He quit to throw in his lot with Bennett LeBow and Carl Icahn, the US corporate raiders trying to force a break up of RJR Nabisco. If they succeed, Fulford will become RJ Reynolds Tobacco's chief executive.

LeBow and Fulford will turn RJR Nabisco shareholders of RJR Nabisco outlining plans for the company. Fulford, one of Hanson's most respected turnarounds specialists with British Ever Ready, the battery maker, and London Brick to his credit, believes the Reynolds tobacco business is ripe for reformation.

Reynolds plants were among the 45 he and colleagues visited around world when they sought ideas for revitalising Imperial. He revisited several years ago when revamping Imperial's sales and marketing.

He believes Reynolds' problems started when Kohlberg Kravis Roberts, the US leveraged buyout firm, "paid too much" for RJR Nabisco. KKR thought Reynolds could continue to raise its cigarette prices much faster than inflation. But not in the subsequent vicious US price war. One cause of the war was Reynolds' introduction of scores of own-label products.

Proliferation of products, indifferent senior management and a weakening market position were other problems at Imperial. Fulford simplified the product portfolio, delegated responsibility and gave people financial incentives. That allowed senior managers to focus on strategy. Imperial is now poised to take UK market leadership from Gallaher, the American Brands subsidiary.

"Reynolds is a rather larger version of Imperial," Fulford says. He expects to find all the managers he needs within the company. The bigger the company, the deeper the talent pool, he says. Reynolds is about six times the size of Imperial.

But before he can fish that pool he and his new colleagues have to convince RJR Nabisco's shareholders that they deserve the chance. Even in a country hot on shareholder value, it is a long shot.

CONTRACTS & TENDERS

REPUBLIC OF ALBANIA

Ministry of the Interior
Prot. No. Tirana, on 26/2/1996
INVITATION FOR BIDS

1. The Ministry of the Interior has received a budgetary fund from the Albanian Government in an amount of 23,160,000 liras (twenty three million and one hundred and sixty thousand) and it is intended that this fund will be applied to perform the purchasing of cloths, raw materials, to be used for the sewing of police uniforms.

The required quantities are given in the schedule of Bid Requirements.

2. The Ministry of the Interior invites sealed bids to participate in an International Bid for the supply of Poplin for police shirts, waterproof cloth, cloth for men's suits, which construction and structural compositions are given in details in Technical Specification Section.

Delivery period not more than 60 days.

3. A complete set of Bidding Documents may be obtained at:
Ministry of the Interior
Economic Department
Financial Office
Tel: 268 61/32 98

on submission of a written application and upon payment to the above of a non refundable fee of USD 30 cash or by banker transfer, to the account no. 333/030 of Economic Department of MOI at National Commercial Albanian Bank
Final of Tirana

4. In addition to the above mentioned costs, all interested eligible bidders shall also bear the cost of consignment of the Set of Bidding Documents, to the final address, by DHL, Courier Service.

5. Interested eligible bidders may obtain further information at the office of:

Directorate of Economic Affairs
Procurement Department
Tel: 268 - 61 / 33 58, Tel/Fax: 263 48 & Fax 336 67

6. All bids must be submitted to the Ministry of the Interior on or before 10/4/1996, 12.00 midday, when the bids will be opened in public and in the presence of bidder's representatives who choose to attend bids opening date.

7. Bidders may submit a bid covering one or more of the above mentioned commodities.

8. If a Bidder withdraws his bid after the opening date, or fails to sign the contract after having been notified as a successful bidder, then the Bidder Security will be forfeited.

Head of Bid Evaluation Committee.

The Financial Times plans to publish a Survey on

Credit Management

on Tuesday, March 5th

For an editorial synopsis and information on advertising opportunities please contact:

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FT Surveys



Robert Chote · Economics Notebook

Personality has a role in policy

Britain's celebrated monthly "Ken and Eddie" show, a semi-public debate between two heavyweights, carries risks alongside its superficial entertainment value

In their more sanctimonious moments, politicians like to complain that the media concentrates too much on their personalities and not enough on their policies. Kenneth Clarke and Eddie George have argued that this is true of their monthly meetings to determine UK interest rates, which commentators persist in treating as tennis matches or sumo wrestling bouts.

But personalities do matter. Unique among leading industrial countries, monetary policy formation in Britain is dominated by an ongoing semi-public debate between two heavyweight protagonists. Clarke, the chancellor (or finance minister), may have the last say on interest rates, but George, the central bank governor, has enough clout with the markets to make his opposite number think twice before ignoring his advice.

This is a curious half-way house. In most leading economies formal control over interest rates is vested explicitly in the central bank. In Canada, Italy and Ireland, the central bank governor sets rates personally. In Germany and the US, special policy-making committees do the job collectively. But under neither model does the finance minister have a formal role.

Norway is one of the few remaining examples of a leading economy in which the finance minister still sets interest rates. But the central bank there gives its advice in private, which gives it little influence in any public debate over policy.

This is why the "Ken and Eddie show" makes better entertainment than monetary policy setting in most other countries. Like sumo, it keeps the audience's interest because each fighter is capable of giving the other a tremendous

shove, leaving the result of each monthly encounter in doubt.

The discussions derive further dramatic tension from the fact that the chancellor and the governor are both personally responsible for the positions adopted by the organisations they head. Although both receive advice from a phalanx of advisers, neither can deflect responsibility on to them.

The Ken and Eddie show also has a high public profile - relative to most of its overseas equivalents - because the minutes of their monthly meetings are published with a six-week lag. Journalists and economists can therefore pick over these documents, searching out any differences of nuance.

The personalisation of the monetary policy process in Britain is not, therefore, a malevolent work of the press. It is an inevitable consequence of the way the mechanism has been set up. In the setting of interest rates the Bank is neither independent from, nor wholly subservient to, the chancellor. Hence the potential for tension between the two - and the desire of the press and the City to sniff it out.

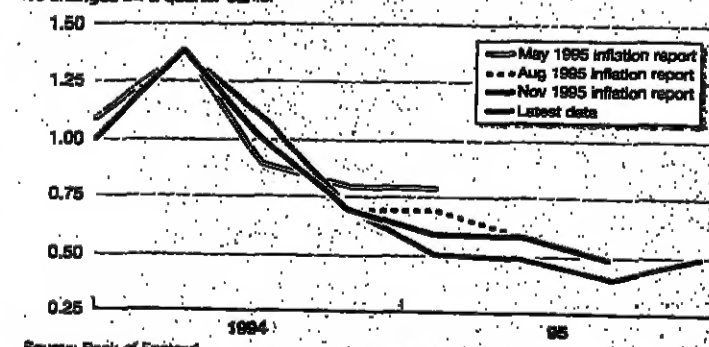
But does the personalisation of policy setting in the UK prevent the process working efficiently?

Even though Clarke and George have complained about the way their meetings are treated by the media, the evidence suggests not. Whatever one thinks about their politics or prowess as economic technicians, both men seem psychologically well-suited to this sort of policy-making system.

Neither is the sort to bear a grudge. The chancellor and the governor are similar characters in that neither is inclined to go off in a sulk if the other wins the day.

Lower growth clinches Ken's case

Revisions to the profile of GDP growth % changes on a quarter earlier



Source: Bank of England

They can agree to disagree and return a month later prepared to review the new situation afresh. One can imagine past chancellors and governors - and perhaps future chancellors and governors - who would find it more difficult to let bygones be bygones. If either man let past defeats colour his judgements then the system would probably be a lot less stable.

Another point in Ken's and Eddie's favour is that neither feels much need to be liked, leaving them relatively unconcerned by the instant reaction to their decisions. Both are also decisive, so there is usually no dithering or delay.

These attributes have served the framework well, but one might argue that neither the system nor its protagonists has yet been put properly to the test. Their debates so far have in essence boiled down to assessments of demand: how quickly is the economy growing and how quickly can it be allowed to given the extent of spare capac-

ity? The debates have therefore, as the governor likes to point out, been "narrow" and "technical".

Things might be different in the event of a "supply shock" such as a rise in oil prices, which could leave the economy suffering inflationary pressure and weak economic activity simultaneously. In that event there would be a more fundamental and politically contentious dilemma about which problem policy should primarily aim to solve.

Another test would come if interest rate and budgetary policy became misaligned. Imagine that the chancellor was loosening budgetary policy to protect activity and employment, in the process fuelling inflation. Meanwhile the governor might be demanding increases in interest rates to combat inflation, thereby slowing activity. The policy mix could easily unravel as each tried to outbid the other - a danger which would be all the greater if the Bank were given formal independence.

Whether these problems arise or not, the monetary policy framework is in for a testing time. Over the past year the financial markets have by and large given the chancellor the benefit of the doubt in his discussions with the governor - and the downward revisions to official estimates of growth and the Bank's forecasts of inflation suggest they were right to do so. But, as the election approaches, the markets may switch their allegiance back more to George.

In the longer term, the monetary policy framework will also have to survive a change of cast. Shadow chancellor Gordon Brown is likely to replace Clarke if Labour wins the election, with party leader Tony Blair looking carefully over his shoulder. On the other side of the table, the governor's contract comes up for renewal in 1998. This raises several possibilities: George could serve a second term, he could be replaced by an internal candidate (probably chief economist Mervyn King or deputy governor Howard Davies) or an outside candidate might emerge.

Under some of the permutations which these changes might throw up, the chemistry between chancellor and governor would probably work very well. Under others, however, it might very well not.

Brown has suggested depersonalising monetary policy by creating an eight-person committee to formulate the Bank's advice. But making the members of this committee appear accountable will not be easy, so the two-man sumo bout might drag on for a good while yet. If it does, the character traits of the players are likely to prove just as important as their prowess in economics.

مکان المصالح

COMPANIES AND FINANCE

Portugal turns down BPI bid for BFE

By Peter Wise in Lisbon

Portugal has rejected a \$1.52bn (\$98m) takeover bid for Banco Fomento e Exterior and opted to seek competing purchase tenders for the state-controlled financial group.

The finance ministry turned down the offer by Banco Português de Investimento on the grounds that it was not envisaged within the government's privatisation plans for BFE.

Analysts said the decision was a clear message that the new centre-left government aimed to keep firm control of its extensive privatisation programme rather than let the market dictate terms.

But the government has opened itself to criticism for taking over a month to reach what amounts to a political decision, given that the legal and technical terms of BFE's bid were officially approved.

BFE, Portugal's fifth-largest banking group, is now to be privatised through competitive bidding for a controlling stake. This would better protect the interests of the state and minority shareholders, the finance ministry said.

Mr Artur Santos Silva, BPI president, said yesterday the

bank would analyse the detailed terms for BFE's privatisation, which have not yet been made public, before deciding how to advance.

BPI, the sixth-largest Portuguese banking group, offered \$1.52bn for 100 per cent of BFE on January 19, raising its bid to \$1.52bn on February 19. It would have also paid accepting shareholders a 1995 dividend of up to \$90 a share.

BPI's highest bid price of \$1,900 a share sets a benchmark for the base price for the privatisation, which has not been set. BFE shares closed at \$1,955 on Friday before the

government announced its decision.

Candidates for the controlling stake will be pre-selected by a jury. The holding will then be sold to the highest bidder from the short-list. Potential buyers will be offered an indivisible block of 51 per cent of BFE directly owned by the state.

The successful purchaser will also have to offer at least the same price for 19.5 per cent of the bank that was privatised in 1994, and for 12 per cent owned by Cimpor, a state-controlled cement company.

In a second phase, the

remaining 77.5 per cent of BFE will be offered to employees and small savers at a fixed price. Any shares not sold will have to be bought by the purchaser of the main holding.

Portugal is to set a maximum limit on the total assets of any financial group seeking to acquire BFE. This gives the government the power to bar large foreign banks from the bidding as well as Portugal's dominant groups.

Some analysts say the government should also fix a minimum asset size to prevent small banks acting as a front for unknown investors.

North looks to long term after first-half downturn

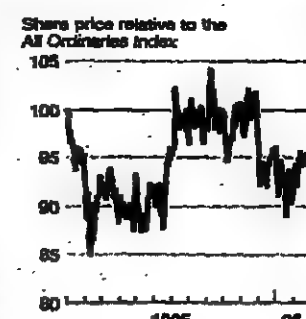
By Nikki Tait in Melbourne

North, the Melbourne-based resources group, reported a fall in after-tax profits from \$851.5m to \$822.3m (US\$24.4m) in the half-year to end-December, on revenues up from \$4,457.1m to \$4,480.1m.

Mr Campbell Anderson, managing director, said that "at this point" he would expect the second half to be "a considerable improvement" on the first. But, in its formal statement, North also warned that any profits growth over the next two years was likely to be modest due to "increased exploration and development programmes and higher financial charges relating to recent acquisitions offsetting any gains in sales and profits from existing businesses".

Long-term, however, it said that shareholders could expect to benefit increasingly from new projects and investments. Operating profits for the first half were little changed from the same period a year ago, with the group making \$124.5m against \$123.8m. But higher exploration costs of \$26.6m against \$20.3m, a small interest charge against a surplus last time, and an \$8.5m abnormal item significantly reduced the bottom line.

North



Source: FT Data

Brambles ahead

Brambles Industries, the Sydney-based transportation, equipment hire and waste disposal group, lifted net profits by 16.2 per cent to \$102.5m (US\$77.6m) for the half-year to end December, writes Bethan Hutton in Sydney.

Earnings per share rose by 15.1 per cent to 46.5 cents, and the interim dividend is up from 32 to 34 cents. The company predicted a "solid increase" in full-year figures.

The abnormal charge related to the write-down to market value of the company's investment in Dominion, another

listed mining group, after North decided not to proceed with an option to buy up to 80 per cent of the Yakabindie nickel project in Western Australia, which Dominion was seeking to develop.

North said it was still talking to Dominion, but that it had no confidence "one way or the other" of resurrecting the deal. There had been no decision to sell the Dominion stake, but it was now held as a current asset.

Of the group's core activities, profits from uranium and gold were sharply higher, on the back of higher sales and strengthening markets. The Warman equipment business also posted higher earnings. But iron ore was down, due to lower sales volumes and cost increases, as was forest products, mainly as a result of export licence restrictions.

The Swedish Zinkgruvan mine, which North acquired late last year, had no effect, with North accounting for the business for January 1. However, the company said that it was encouraged by the purchase, and that its desire to increase annual production from around 550,000 tonnes at present to 900,000 over the next three to four years had been accepted locally.

German investors nervous about prospects for Emu

By Andrew Fisher in Frankfurt

German private investors are increasingly nervous about the prospect of European monetary union and the disappearance of the D-Mark, leading many to avoid investments maturing after 1999, according to some bank advisers and economists.

Such fears contributed to last week's low bidding for a DM10bn issue of five-year government notes, although traders mainly blamed the Bundesbank for mishandling the auction. The issue matures in November 2000; Emu is due to start on January 1 1999.

"This is a neuralgic time threshold," said Mr Adolf Rosenstock of Industrial

Bank of Japan's Frankfurt office. "Older people are especially cautious and risk-averse. These are the people who have built up considerable assets. This factor [Emu anxieties] should not be underestimated."

He said, however, that it was impossible to quantify the effect on investment attitudes of concern over Emu. Much evidence was anecdotal, but should not be ignored by politicians ahead of Emu. "Any mistakes could lead to chaotic circumstances on the capital market."

Big institutional investors have mostly taken account of Emu in their strategies, said Mr Dieter Wernuth of Westdeutsche Landesbank. "It is not a topic any more for the professionals."

But Mr Rosenstock said private investors were cautious. "You can't easily remove mistrust about new money."

The D-Mark will be replaced by the euro when Emu begins, although the new currency will not be widely distributed until 2002. "Clients have become very sensitive about currency union," said Prince Alexander of Hessen, a Frankfurt-based investment adviser at Bayerische Vereinsbank. "They are wary of longer-term loans, though low interest rates also play a part."

"There is much uncertainty about how Emu will be introduced. Older people also remember the currency reform. They are wrong to compare the two, but it is a very emotional subject," he

added. In the 1948 reform, savers lost out under the terms of the Reichsmark's replacement by the D-Mark.

With Emu, the fear is that the D-Mark will be succeeded by a weaker euro. Politicians and central bankers have stressed that the economic criteria for Emu must be adhered to strictly, but this has raised the question of whether it can start on time, since even Germany now fails to meet all the criteria.

"Private investors are certainly worried about Emu," said Mr Jan Holzhut, senior bond analyst at DG Bank. "Many have drastically shortened the period over which they want to invest." He said Emu affected the attitudes of investors with up to DM1m (\$688m).

Bre-X shares soar on Busang stake

Even by the super-charged standards of speculative North American mining shares, Bre-X Minerals has put on a terrific show. The Calgary-based exploration company, which is listed on the Alberta stock exchange, has rocketed from \$1.90 a year ago to a peak of \$31.70 last week. The shares closed at \$18.25 last Friday, giving Bre-X a market capitalisation of \$3.2bn.

The buying frenzy stems from Bre-X's 80 per cent stake in what appears to be a huge gold deposit at Busang, Indonesia. Busang is part of an extensive "gold belt" stretching across the island of Kalimantan that has attracted several prominent multinational mining companies and a horde of small exploration outfits.

"It's more than a gold discovery," says Mr John Hainey, analyst at Eagle & Partners in Toronto. "Even if Bre-X does not go, they're already in the category of senior gold producers."

Bre-X's shares have been given an extra push by speculation of a takeover bid. According to Mr Ron Coll, analyst at Deutsche Morgan Grenfell in Toronto, "this is the kind of project that the big companies need to get control of."

Possible predators include Newmont Mining, the US group, Vancouver-based Placer Dome, and Barrick Gold of Toronto. Earlier this year Barrick advanced US\$14.7m to another junior company to finance exploration on a parcel of properties near Busang.

The big question now is just how rich the Busang deposit will turn out to be. Bre-X bought its initial stake in the property two years ago for a modest \$100,000. Drilling results released last week delineated reserves of about 15m ounces. However, drilling has so far been limited to only a relatively small section in the south-east of the property.

"They could quite easily get 30m ounces, and it doesn't stop there," Mr Hainey says. "The upside is still wide open."

comparison, medium-

Bernard Simon looks at a Canadian gold rush winner in Indonesia

sized North American producers have reserves of 5m to 10m ounces. Barrick Gold, currently the biggest gold producer outside South Africa, estimates its total "proven and probable" reserves at 36.5m ounces.

Besides its size, the Busang deposit appears to have the advantages of being high-grade, close to the surface and amenable to a relatively simple metallurgical extraction process. Production costs are thus expected to be low.

Mr David Walsh, Bre-X's chief executive, predicts that a mine could be in operation by late 1999.

Bre-X is 24 per cent owned by Breesa Resources, which is listed on the Montreal stock exchange. Mr Walsh, whose background is in investment management and mining finance, is a substantial shareholder in both companies.

Bre-X owes much of its success, however, to Mr John Felderhof, a Canadian geologist who lives in Indonesia and is credited with having a hand in the discovery of Ok Tedi, the big copper and gold mine in Papua New Guinea. Mr Felderhof persuaded Mr Walsh to invest in Indonesia in 1993 on the grounds that metal prices were low and, in Mr Walsh's words, "because no-one was there."

Bre-X shareholders will be asked to approve a 10-for-1 share split at next month's annual meeting. Analysts estimate the shares are worth \$200 or more, based on valuation criteria applied to large North American producers.

However, an investment in Bre-X does carry greater risks, including its reliance on a single project and the fact that Busang is still several years away from production.

Bad debt provisions hit Banco Bamerindus

By Angus Foster in São Paulo

Banco Bamerindus, one of Brazil's largest private sector banks, has announced a sharp fall in profits following a big rise in bad debt provisions. Bamerindus, which was affected last year by rumours about the health of several Brazilian banks, also saw its borrowing costs increase and a steep fall in deposits.

Bamerindus said net profits fell to \$99.7m (US\$101.7m) in the year to December 31, compared with \$136.3m in 1994. Earnings per 1,000 shares fell from \$4.10 in the previous period to \$2.94.

About two-thirds of Bamerindus' profits came in the first half of the year, before Brazil's economy slowed and several banks hit a liquidity crisis. Bamerindus' provisions for doubtful credits jumped from \$4m to \$402m, although one analyst said the bank's provisions were less cautious than some rivals.

Bamerindus said deposits fell from \$99.05bn to \$96.58bn. Several banks were hit by liquidity concerns during the year, prompting customers to shift to the country's biggest private sector banks.

Income from banking services, seen as an important source of profits now inflation-related gains have fallen, rose more than 40 per cent to \$636.8m.

Partly prompted by these liquidity concerns, Bamerindus sold its stakes in two of Brazil's largest steelmakers, CSN and Usiminas, and a petrochemical company. The bank said the sales raised \$255.6m. Impacel, a troubled paper company controlled by the bank, continued to lose money, the bank said.

Bamerindus reported a slight increase in net assets during the year. They rose 6.3 per cent to \$1.94bn. The bank's return on net assets fell from more than 11 per cent to 7.5 per cent.

1995 Deals of the Year

Debt

Raytheon

\$1.125 billion

Petronas

\$1 billion

Cox Communications

\$950 million

Leveraged Finance

Luxottica

\$1.55 billion

Equity

DuPont

\$8.8 billion

ENI S.p.A.

\$3.95 billion

Nordbanken

\$1 billion

LUKoil

\$321 million

Project Finance

California Energy

\$675 million

North Star BHP Steel

\$350 million

M&A

Wells Fargo / First Interstate

\$11.6 billion

Time Warner / Turner

\$9.3 billion

Seagram / NCA

\$5.7 billion

IBM / Lotus

\$3.5 billion

Union Pacific / Chicago and North Western

\$2.3 billion

You Don't Scoop Up Fifteen Awards With Plain Vanilla.

At CS First Boston, our innovative thinking leads to investment banking transactions that win awards. More importantly, it earns the respect of our clients.



CS FIRST BOSTON

EQUITY MARKETS: This Week

NEW YORK

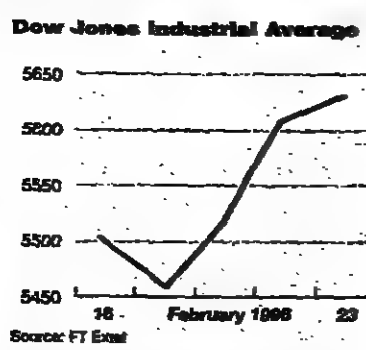
Delayed data could ease uncertainty

For a week in which the Dow Jones Industrial Average soared by nearly 200 points, last week was certainly a scary one. The Dow opened the holiday-shortened week with a 45-point loss and then gyrated through the remaining three sessions as investors assessed and reassessed their outlook on the economy and interest rates.

This week's wave of economic data should go some way toward eliminating the economic uncertainty that exists, in part because the government is still struggling to catch up with figures that were not released during the recent shutdown.

Among the most important figures will be tomorrow's retail sales. A lingering question for the market is whether consumer spending can rise fast enough to give a boost to the sluggish economy.

Economists, for the most part, are betting that consumers were not active



Dow Jones Industrial Average

Source: FT Data

enough in January to spark the economy. The mean estimate has retail sales falling by 0.3 per cent, while analysts are looking for flat sales, excluding volatile car components.

Economists are looking for a 0.4 per cent rise in the producer price index and a 0.3 per cent gain in the consumer price index.

Although such relative strength could be worrisome in the increasingly harsh environment of the bond market, stocks may well be able to shrug off declines in the bond market as they did for much of last week.

LONDON

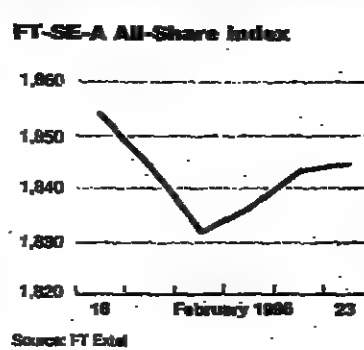
Caution likely ahead of Scott debate result

The Scott report debate today promises a nervous start to the week for the market. While traders expect the government to survive the furore, the latest political defection will make investors cautious about committing money before the result is known.

Politics aside, the main domestic focus will be on the results season. Last week's slew of figures did not contain any nasty surprises but there will be plenty to analyse this week.

Numbers are due from Abbey National, Associated British Ports, Barclays, BICC, British Aerospace, General Accident, HSBC Holdings, Lloyds, and Standard Chartered. Sluggish world-wide economic growth is expected to have resulted in a slower pace of earnings growth for much of the UK corporate sector.

But given the volatility that has characterised international financial markets recently - notably Tuesday's



FT-SE All-Share Index

Source: FT Data

two-point fall in US Treasuries and Thursday's 90 point rise in the Dow Jones Industrial Average - domestic developments may well prove secondary to events elsewhere.

A wave of liquidity is sloshing round the world in the wake of interest rate cuts in the US and Europe and very low rates in Japan, and the result has been some sharp market movements.

London, perhaps because of political and earnings worries, has yet to be the beneficiary of the flow this year - but could be a casualty of other markets' disruption.

International offerings

Sense of urgency sparks a build-up of issuance

A sense of urgency has crept into the primary equity market. After a slow start to 1996 - the only notable offering in January was the sale of more stock in the oil and gas company Repsol by the Spanish government - a mountain of issuance has built up.

As in 1995, virtually every government in Europe, including Scandinavia, is seeking to privatise state-owned assets, including those withdrawn last year because of a lack of demand. For example, Austria is trying again to sell stock in specialty steel producer Bohler-Uddeholm.

Supply from the corporate sector is also buoyant, with offerings expected from Orange, the UK mobile phone company, Scania, Sweden's heavy truck manufacturer, and Grupo Sol, the Spanish hotels company.

Salomon Brothers estimates that primary equity issuance in Europe could reach \$6bn in the first quarter, \$20bn in the second, \$25bn in the third and \$30bn in the final quarter, assuming Deutsche Telekom's initial public offering happens as planned in November.

However, political factors, particularly in Italy, and investor indignation could result in lower volumes than forecast.

Bankers are encouraging

potential issuers of equity to come to the market sooner rather than later to take advantage of the liquidity.

There is evidence that US investors are again looking at European and emerging markets after concentrating on their domestic market for most of 1995. US mutual fund industry data show that cash flows out of domestic and into international funds are running at about \$1bn a week, a level not seen since 1993.

The main concern for issuers of equity is that if they do not move fast, the liquidity will be soaked up by rival offerings.

The pressure is on to get deals done before the summer, said one syndicate manager. "If there is a choice to delay or execute with some anxiety, issuers are choosing the latter."

Scania's approach to its flotation could be held up as a model for future issuers. After keeping the market guessing for months about whether the deal would happen (indeed, bankers, perhaps intentionally, sent out signals that the deal was off only one month ago) the company then confirmed that it would go public, following up swiftly with the deal's timetable and structure.

The Spanish government has also taken the fast track with

its privatisations. Flush with the success of the Repsol offering, it has proceeded quickly to the third sale of stock in Argentina, the banking group, despite the fact that it will coincide with the country's general elections.

By contrast, the momentum behind the Orange flotation appears to have peaked too early and some say the draw-out process may have allowed investors to ponder too long on the company's estimated valuations. "There has been too much armchair on Orange," says one banker.

Orange's camp rejects such suggestions, saying investors needed time to get to know the company. "In October, the level of knowledge about Orange was zero; now the market understands it a lot better," says one adviser.

With the priority on speed, or at least getting issues away before Deutsche Telekom blocks the runway, it is likely that other important factors needed for a successful offering, such as careful pricing and a cohesive syndicate, will be sacrificed.

It will come as no great surprise, therefore, if some issues stumble as they race to market.

Antonia Sharpe

OTHER MARKETS

FRANKFURT

With last week's weakness in bonds reversed by lower than expected money supply growth figures, and strength in equities surging on Wall Street's performance, next week will be an intriguing one for German equity strategists.

The Bundesbank meets on Thursday. Last Friday, an M3 expansion growth rate of 8.4 per cent against some fears of between 15 and 20 per cent had pundits saying the Buba had its options wide open so far as further interest rate cuts were concerned.

However, the other side of the inflation coin, CPI figures from the German lender, could affect the issue in the early days of this week.

Meanwhile, SAP, the computer software group whose preference shares put up a phenomenal performance in 1994 and 1995, will face a New York analysts' symposium today and tomorrow.

Ma Jadwiga Bobrowska, an analyst at Merck Finck in Düsseldorf, expects little in the way of news here, but the company raised its dividend by 50 per cent just over a week ago and this, she says, was a positive signal for the future.

AMSTERDAM

The Dutch market will be faced with corporate results from a mix of cyclical and financial stocks this week, with the chemical groups, Akzo Nobel and DSM, and ABN Amro Bank all scheduled to release 1995 profit figures, writes Ronald van de Krol.

DSM, which has said already that 1995 profits roughly doubled, soared last week on news that the government planned to sell two-thirds of its 31 per cent stake to Dutch banks and insurers in the form of cumulative preference shares.

The structure of this planned transaction is designed to boost profit per share available to the existing holders of ordinary shares, and this caused DSM shares to rise by 110 from Tuesday's close, to around 175.00 on Friday. The results, due on Thursday, are not expected to bring further sharp share price gains.

Financial stocks like ABN Amro have benefited from the steady downward trend in interest rates, but this may be coming to an end.

Theodor Glissen Bankiers in Amsterdam says financial stocks should be given only limited space in an investment portfolio in 1996.

Instead of recommending either cyclical or financials to long-term investors, it favours steady growth stocks such as Akzo, Elsevier, Heineken, Nutricia, Unilever and Wolters Kluwer.

PARIS

French equities closed last week in positive territory, largely as a result of the US market's strength, writes John Pitt. But there were fears in some quarters that the government's announcement of a shake-up in the defence sector would exert a negative influence in the coming weeks.

While the strategy to dispose of Thomson SA in one lot, either through privatisation or, more likely, through the sale to an industrial partner, has found critics already, the wider implications extend to job losses throughout the defence industry, in an environment already shouldering a high unemployment rate.

On the corporate front, this week sees another busy results timetable, with figures due from Legrand today, Ciments Français tomorrow and Paribas on Wednesday.

In addition, economic data likely to impact on equities include household consumption figures and

January unemployment, which most analysts expect to show an increase month-on-month.

HONG KONG

Investors will focus today on results from the colony's two biggest banking groups, HSBC Holdings and Hang Seng Bank, to set the tone for trading, writes Louise Lucas.

Expectations for earnings have been enhanced by the robust performance put in by Bank of East Asia, the colony's third biggest listed bank, and if this is followed through in today's results it could prove a bigger boost to the sector.

The reporting season is well under way, and corporate earnings are likely to influence market performance throughout. Also reporting final results will be Hongkong and Shanghai Hotels and Hongkong and China Gas.

Overall, corporate earnings are expected to grow by some 15 per cent. Elsewhere, the outlook for lower interest rates has been clouded by comments from US Federal Reserve chairman Mr Alan Greenspan.

That in US interest rates generally feed through to Hong Kong via the currency peg, and speculation of a reduction had helped drive share prices higher earlier in the month.

TOKYO

A seven-day losing streak for the Nikkei average, the longest consecutive string of losing sessions since January 1995, had wiped nearly 650 points off the barometer index by the end of last week, giving a sobering reminder of the chronic weakness of investor confidence in the Tokyo market, writes Gwen Robinson.

Wall Street's rally last Thursday, together with signals from the US authorities of continuing easy monetary policy, failed to shake Tokyo's inertia.

On the contrary, domestic institutional investors - banks, in particular - continued dumping shares while foreign buying remained thin.

All eyes now are on the public fund managers, who have stayed conspicuously on the sidelines or in selling positions.

What they do, if the market continues to slide, will tell other participants whether the government is making good on hints dropped last week by Tokyo stock exchange officials: that it will intervene to prevent the Nikkei average slipping back below the 20,000 level.

Compiled by William Cochrane

EMERGING MARKETS: This Week

The Emerging Investor / Mark Ashurst in Johannesburg

Drama spurs reform calls

the timing of the visit by Mr Hans Tietmeyer, the Bundesbank president, to South Africa last week was intended to add gravitas to the reserve bank's calls for fiscal discipline ahead of the March 13 budget, then Dr Chris Stals, its governor, need not have bothered to invite him.

Mr Tietmeyer's arrival was eclipsed by the dramatic collapse of the rand, and the swift exit of an estimated R1bn in foreign investment from the Johannesburg debt market. The drama marks an end to the extended honeymoon that has sustained the currency since the abolition of the Financial Rand last March and provides a graphic illustration of Dr Stals' off-repeated warnings about the fickleness of the surging capital inflows.

These have increased fourfold since 1994, the year of the first democratic election, and last year topped R20bn. Last week the rand fell victim to what one banker described as "almost hysterical volatility" in the currency market. After trading around R4.65 to the dollar for the past eleven months, it dived to record lows of R4.04, before stabilising around R4.80 late in the week.

The equity market was largely shielded from the fall in the rand's liquidity and thin trade. The greatest impact was in the debt market, where yields on the benchmark R150 12 per cent bond peaked at 14.95 on Wednesday, their highest level since last October. Sales by non-residents mushroomed by more than 45 times from R20m on Tuesday

to R925m on Wednesday as investors suffered intermittent panic attacks.

For traders raised in the relative insularity of South Africa's traditionally protected money markets, it was a sobering week. Dealers reassured by Dr Stals' forecasts, as recently as February 12, that rand exchange rates would remain stable in 1996, were confronted with the relative impotence of the reserve bank in a floating money market where daily trade averages \$70bn a day.

"In a developing nation that is re-integrating into the global economy so fast, something like this was bound to happen sooner or later," commented David Darosa, at Swiss Bank Corporation in New York. "In many ways the rand behaved like the Mexican peso: it was a victim of speculative trading. In a situation of long runs and short runs, with a 15 per cent interest rate differential between two stable currencies, you expect some sharp adjustments."

The downward pressure on currencies in the emerging markets of East Asia, generally viewed as rivals to Johannesburg, tends to support the view that the rand's collapse was an attempt by global market makers to exploit disparities in interest rates.

By Friday, however, analysts had begun to dismiss comparisons with Mexico, citing a rally in the gilts market and a drop of 42 basis points in the bench-

mark R150 bond as evidence that the local economy was on a firm footing.

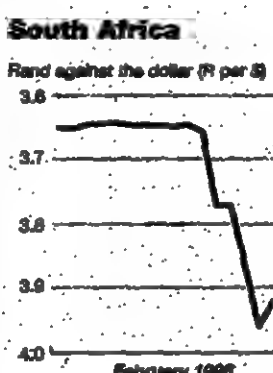
The turmoil has injected new fervour into the perennial debate over the future of exchange controls, which the reserve bank and the government have pledged to abolish. Official assurances that an easing of the controls was imminent are widely believed to have precipitated the rand's demise. Union Bank of Switzerland, which reported previously that the rand was overvalued by between 7 and 10 per cent against the dollar, said on Thursday it did not expect the rand to weaken further.

Industrial exporters rallied in tandem with improvements in the bond market; Iscor, the steel producer, traded 23.3m shares worth R95.7m in 180 deals on Thursday.

A further boost in confidence is expected when the Johannesburg exchange, the world's tenth largest by market capitalisation, embarks on a three-month transition to screen-based trading on March 8.

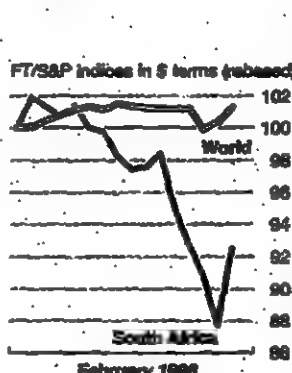
The move is the latest in a series of reforms intended to attract foreign interest and improve liquidity - the single biggest disincentive to foreign investors considering a position in South Africa. About 7 per cent of equities are available for trade, while almost 80 per cent of stocks are held by the five biggest conglomerates and are rarely traded.

The crucial issue remains



Rand against the dollar (R per \$)

Source: FT Data



FT/SAP Index in \$ terms (rebased)

Source: FT Data

the easing of exchange controls, which would improve liquidity by enabling the big institutional investors to restructure their portfolios and invest some profits offshore. This would also reduce stock prices, which are high in comparison to other emerging markets: current p/e ratios are 20 to 30 times higher than prospective 1996 earnings. According to Mr Bertson Biggs, an analyst with Morgan Stanley, the ratio makes "no allowance for the country risk or other disappointments."

Economists have raised inflation forecasts for the year by 0.5 of a percentage point to 7.5 per cent. The risk of inflationary pressures caused by the weaker rand is keenly felt by the government, which last month announced it would not meet this year's budget deficit target of 5.8 per cent of GNP.

The rand's sensitivity to further capital outflows will be the principal criterion in timing the further relaxation of controls.

"It is a small currency, and the market is liquid at the best of times," observed one currency trader. Proponents of a big bang approach to abolition argue that the week's events have strengthened the case for immediate relaxation of exchange controls.

"This is the wrong time to be cautious. For as long as there is any form of capital control, any mention of any kind of change makes the likelihood of destabilising fluctuations much greater," warned Mr Darosa.

Although the currency has stabilised, the rush of foreign currency purchases from importers alarmed by its collapse may not be over and

there is a risk of continued downward pressure on the rand in the run-up to this year's budget. Dr Stals and Mr Chris Liebenberg, the finance minister, will also be conscious that, in spite of efforts to bury the link between South Africa and political risk, investors are highly sensitive to the health of the 77-year-old president. In a sense, traditional concerns over political risk have been superseded by worries over what could more accurately be termed personality risk. Although Mr Mandela's colleagues in the African National Congress-dominated cabinet, including his most likely successor, deputy-president Thabo Mbeki, share his commitment to fiscal discipline they have yet to win the confidence of international investors.

Battered traders seeking to restore their confidence will take their cue from gold in the weeks ahead. Last week, the early stages of the rand's collapse were compounded by an end to a spate of speculative gold trading as bullion slipped below the benchmark \$400 an ounce level. The weaker rand has renewed support for the metal, in anticipation of increased demand from foreign buyers.

Analysts cited the improved earnings of the Mexican gold sector in the wake of the 1994 peso devaluation as grounds for bullishness. "The good news is tempered only by the tendency of South African mines to commit in the forward sales market," said one analyst. "It takes a bit of the shine off."

Cyprus pauses after its frenzy

By Karin Hope in Athens

Cyprus, raising its share in the fiercely competitive market to about 14 per cent.

The takeover of Zako, a listed chain store, by F.W. Woolworth, the island's largest retailer, took the market by surprise, with shares in both companies jumping when the deal was made public.

Ms Maria Jacovidou of Cyprus Investment and Securities Corporation says: "Small investors have finally discovered the stock exchange. At the same time, regulatory changes have made it easier for overseas investors to join the market."

Under the government's policy of gradually opening Cyprus to foreign investment, overseas shareholders may now hold up to 30 per cent of listed companies' equity. Local stockbrokers estimate that foreign investors, mainly from Greece and the UK, now account for more than 10 per cent of daily transactions.

With the average price earnings ratio at around 15, the market still has room for growth, according to local brokers. Liquidity remains adequate, though only some 20 of the island's 44 listed companies are actively traded.

Analysts expect share prices to consolidate further during the next few weeks, but forecast another rise in April when the informal over-the-counter market is transformed into an official stock exchange.

CURRENCY MARKETS

Dollar faces a mixed outlook

Last week was a poor one for the dollar. Four successive days of intervention from the Bank of Japan had a negligible impact.

Much more of this and investors will be forced to reassess the bullish scenario for the dollar, which is still the dominant market view.

The starting point for the dollar this week will be the feedback from the first meeting, held last Friday, between President Clinton and Mr Ryutaro Hashimoto, the Japanese prime minister. Good relations will help the dollar, while ten-

sions are likely to weigh on it. The first quarter Tankan survey will be closely watched, in case it lends any weight to recent fears that Japanese interest rates might rise sooner than was previously expected.

Another factor will be the Bank of Japan. Repeated, unsuccessful intervention runs the risk of being ignored by the markets. Indeed, it can be argued that the intervention actually sows the seed for a rally in the dollar. On the other hand, traders will be wary of the Federal Reserve and Bundesbank joining in.

Also important for the dollar will be the plethora of data

releases due in the US and Europe. The dollar's rally during the latter part of January was fuelled in part by the view that European growth was slowing sharply, which would push interest rates lower.

German inflation data will provide the backdrop to the Bundesbank council meeting on Thursday, where there is little expectation of a cut in rates. Arguably more important for markets will be the French GDP and unemployment figures.

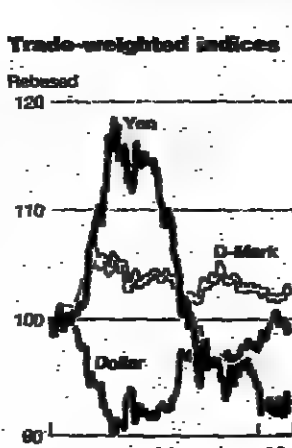
Weak data will confirm suspicions that growth is slowing.

making it less likely that France will meet the Maastricht convergence criteria. If such news casts renewed doubt on the prospects for a single currency, it will probably boost the D-Mark.

The pound will also be in focus today as parliament debates the Scott report. A defeat for the government would be sure to jangle foreign investor nerves. Eyes will also be on the South African rand, which bounced back at the end of last week after earlier falling by 9 per cent in four trading days.

Philip Gawith

Trade-weighted indices



Trade-weighted indices

Source: FT Data

ING Barings Securities Emerging Markets Indices

Index	23/2/96	Week on week movement	Month on month movement	Year to date movement
		Actual	Actual	Actual
World (395)	157.62	-1.07	-0.67	-1.06
Latin America				
Argentina (22)	94.81	-3.05	-3.13	-6.91
Brazil (18)	154.19	+0.98	+1.76	+5.64
Chile (10)	183.31	+3.21	+1.78	+3.60
Colombia (14)	166.06	-1.69	-0.95	-0.47
Mexico (23)	79.00	+1.08	+1.39	+5.61
Peru (10)	1,128.82	-36.86	-1.82	-36.86
Latin America (112)	133.22	-0.85	-0.40	-0.84
Europe				
Greece (18)	107.63	+1.06	+1.00	+1.71
Portugal (20)	129.13	+2.77	+2.19	+4.89
Turkey (25)	104.42	-0.73	-0.69	-2.25
South Africa (25)	159.10	-3.55	-2.19	-8.03
Sarawak (8)	129.22	-1.79	-1.37	-3.52
Asia				
China (24)	49.44	+0.14	+0.29	+0.88
Indonesia (22)	155.88	-0.74	-0.48	-0.17
Korea (22)	134.39	-0.09	-0.06	+0.51
Malaysia (24)	243.62	-0.05	-0.02	+0.05
Pakistan (14)	96.17	+0.08	+0.08	+0.59
Philippines (14)	259.14	-0.20	-0.07	-0.73
Thailand (25)	263.50	-0.75	-0.57	-3.26
Taiwan (21)	125.05	+2.15	+1.75	+1.71
Asia (167)	214.87	-1.07	-0.50	+0.84
All Indices to 5 stars, January 1995=100. Source: ING Barings Securities.				

Emiko Terazono

TOKYO

keep money market rates from rising, but fundraising by banks before the March year end is likely to remain strong, pushing up three-month rates. Meanwhile, the yen's strength is expected to continue, adding to the upward pressure on rates. The Bank of Japan has been trying to counter yen purchases by US hedge funds by buying dollars and is expected to continue to do so this week.

Gilt s could benefit from a delay to Emu

Month	UK	Germany	France	Italy	Spain	US
Jun	6.0	11.0	8.0	12.5	7.0	11.5
Jul	6.0	11.0	8.0	12.5	7.0	11.5
Aug	6.0	11.0	8.0	12.5	7.0	11.5
Sep	6.0	11.0	8.0	12.5	7.0	11.5
Oct	6.0	11.0	8.0	12.5	7.0	11.5
Nov	6.0	11.0	8.0	12.5	7.0	11.5
Dec	6.0	11.0	8.0	12.5	7.0	11.5
Jan	6.0	11.0	8.0	12.5	7.0	11.5
Feb	5.5	10.5	7.5	11.5	6.5	11.0

	USA
Discount	6.80
Overnight	6.13
Three month	4.97
One year	4.99
Five year	5.50
Ten year	5.94

US TREASURY BOND FUTURE	
	Open
Mar	115-19
Jun	115-04
Sep	115-35

Berlin and Munich, February 22, 1996
Siemens Aktiengesellschaft
The Siemens Board

JPMorgan

Globals come under renewed scrutiny

Five-year bonds; having road showed only in the US, the issue attracted weak demand elsewhere and soon came in for profit-taking by short-term accounts, causing the spread to widen from 410 basis points at launch to almost 500 points.

"The disappointing performance of a few recent global banks may call into question the validity of the global concept," conceded one syndicate manager in London.

Nevertheless, he said: "The concept remains excellent - the only problem is bad execution, which often involves banks telling borrowers what they want to hear in order to get the mandate, and borrowers wanting to believe it."

Meanwhile, the IDB is on track for a successful global issue after a week of international

The agency's most inspired decision may have been to appoint as one of its joint lead managers a bank that has never before underwritten a mainstream global bond, SBC Warburg.

"The IDB and SBC Warburg will want to make absolutely sure the bond performs - it's a first for both of them," said a trader.

— THE EUROPEAN WARRANTY —

From February 26, 1996 to August 26, 1996 the Rate

FLEMINGS

REFERENCES

Toby Finden-Crofts
+44 (0)1753 670156

Yield	Launch	Book runner	Assess
-------	--------	-------------	--------

COUNTRY	Asset class	Maturity	Duration	Price	Yield %	Launch spread bps	Book name	ISIN	Amount m	Maturity	Duration	Price	Yield %	Launch spread bps	Book name
US DOLLARS															
USA	Bank Deposit	200	Mar 2000	2.25	100.00	-	Chorus International								
	Foreign Bank	150	Feb 1999	0.4	99.959	-	Chorus International								
	Government of Ireland	150	Mar 2000	6.125	98.238	6.230	+345bps/-5bps	First Republic							
	Government of Japan	450	Mar 2000	0.71	98.88	-	CSFBMondrago Stanley								
	Government of Mexico	150	Mar 2000	6.125	98.238	-	Goldman Sachs								
	Government of NZ	200	Mar 2000	6.125	98.238	-	Goldman Sachs								
	Government of Sweden	200	Mar 2000	6.125	98.238	-	Goldman Sachs								
	Government of Switzerland	200	Mar 2000	6.125	98.238	-	Goldman Sachs								
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INDICES										US INDICES									
Feb 22					1989/90					Feb 22					1989/90				
Feb 22	Feb 21	High	Low		Feb 22	Feb 21	High	Low		Feb 22	Feb 21	High	Low		Feb 22	Feb 21	High	Low	
Argentina										Dow Jones									
1989.72	1678.82	1670.08	1691.98	31/05	1631.88	9/9/89				Industrials									
1989.72	1678.82	1670.08	1691.98	31/05	1631.88	9/9/89				3030.48	3030.48	3031.57	3029.48	3029.48	3030.48	41.22			
1989.72	1678.82	1670.08	1691.98	31/05	1631.88	9/9/89				3030.48	3030.48	3031.57	3029.48	3029.48	3030.48	41.22			
1989.72	1678.82	1670.08	1691.98	31/05	1631.88	9/9/89				3030.48	3030.48	3031.57	3029.48	3029.48	3030.48	41.22			
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1989.72	1678.82	1670.08	1691.98	31/05	1631.88	9/9/89				3030.48	3030.48	3031.57	3029.48	3029.48	3030.48	41.22			
1989.72	1678.82	1670.08	1691.98	31/05	1631.88	9/9/89				3030.48	3030.48	3031.57	3029.48	3029.48	3030.48	41.22			</

أما بعد

WORLD INTEREST RATES

MONEY RATES								
February 23	Over night	One month	Three months	Six months	One year	Long-term rate	Del. rate	Repo rate
Belgium	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	7.00	3.00	-
week ago	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	7.00	3.00	-
France	4 1/2	4 1/2	4 1/2	4 1/2	4 1/2	3.80	-	5.60
week ago	4 1/2	4 1/2	4 1/2	4 1/2	4 1/2	3.80	-	5.60
Germany	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	5.00	3.00	3.20
week ago	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	5.00	3.00	3.20
Greece	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	-	-	6.25
week ago	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	-	-	6.25
Italy	10 1/2	10 1/2	10 1/2	10 1/2	10 1/2	8.00	8.75	-
week ago	10 1/2	10 1/2	10 1/2	10 1/2	10 1/2	8.00	8.75	-
Netherlands	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3.00	3.30	-
week ago	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3.00	3.30	-
Quoted	1	1	1	1	1	1.00	1.50	-
Switzerland	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1.00	1.50	-
week ago	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1.00	1.50	-
US	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5.00	-	-
week ago	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5.00	-	-
Japan	4	4	4	4	4	3.50	-	-
week ago	4	4	4	4	4	3.50	-	-
LIBOR & LIBORIT London Interbank Prime over - 5 1/2 5 1/2 5 1/2 5 1/2 5 1/2 - - - week ago over - 5 1/2 5 1/2 5 1/2 5 1/2 5 1/2 - - - US Dollar CDS over - 5.05 4.85 4.80 4.85 - - - week ago over - 5.05 4.85 4.80 4.85 - - - ECU Linked De over - 4 1/2 4 1/2 4 1/2 4 1/2 - - - week ago over - 4 1/2 4 1/2 4 1/2 4 1/2 - - - ECU Linked De over - 3 1/2 3 1/2 3 1/2 3 1/2 - - - week ago over - 3 1/2 3 1/2 3 1/2 3 1/2 - - - LIBOR Interbank (long rates are offered rates for \$100 quoted to the market by four reference banks at least rates shown for day. The banks are: Barings Trust, Bank of Tokyo, Baring and Hambro)								

US Dollar	51 $\frac{1}{2}$ - 51 $\frac{3}{4}$	51 $\frac{1}{2}$ - 51 $\frac{3}{4}$	51 $\frac{1}{2}$ - 51 $\frac{3}{4}$
Italian Lira	10 $\frac{1}{2}$ - 10 $\frac{3}{4}$	10 $\frac{1}{2}$ - 10 $\frac{3}{4}$	10 $\frac{1}{2}$ - 10 $\frac{3}{4}$

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Yan	-10	-8	-7	-6	-5	-4	-3	-2	-1	0	1	1 1/2
Amer Sling	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2

Short term rates are call for the US Dollar and Yen, otherwise two days' notice.

■ THREE MONTH EURODOLLAR (MM) \$im points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open Int
Water	94.70	94.77	=	94.81	94.74	82,031	351,568
Jan	94.62	94.66	=	95.00	94.68	113,332	414,402
Sept	95.02	95.03	+0.02	95.14	94.85	130,771	317,284


■ IN TREASURY BILL FUTURES (MM) \$im per 100%

	Open	Sett	Chg	Hi	Lo	Bid	Ask
Water	95.58	95.54	-0.02	95.50	95.54	808	7,203
Jan	95.45	95.39	-0.01	95.48	95.33	580	6,893
Sept	95.55	95.43	-0.08	95.58	95.40	105	1,995

All Open Interest figs. are for previous day

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 FINANCIAL TIMES

CRÉDIT NATIONAL

US\$ 250,000,000 Floating Rate Note due 1997

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the Interest Period from February 26, 1996 to May 24, 1996 the Notes will carry an Interest Rate of 5.266963 % per annum.

The Coupon Amount payable on the relevant Interest Payment Date, May 24, 1996 will be US\$ 12.88 per US\$ 1,000 principal amount of Note, US\$ 128.81 per US\$ 10,000 principal amount of Note and US\$ 1,288.11 per US\$ 100,000 principal amount of Note.

 **The Agent Bank**
Créditbank
Luxembourg

KINGDOM O

KINGDOM OF SWEDEN
Yield Curve Notes due 2000
Issued 25th August 1993

Interest Rate	9.30287% per annum (18% - 6 month Pta. Libor)
Interest Period	26th February 1996 26th August 1996
Interest Amount per Pts 100,000 Notes due 26th August 1996	Ptas 4,651.43

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Madrid

CORRECTION NOTICE

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(Incorporated in Hong Kong with limited liability)

U.S.\$400,000,000

PRIMARY CAPITAL UNDATED FLOATING RATE NOTES
(FIRST SERIES)

Notice is hereby given that the Rate of Interest has been fixed at 5.5625% and that the Interest payable on the relevant Interest Payment Date August 23, 1996, against Coupon No. 22 in respect of US\$500,000 nominal of the Notes will be US\$140.61 and in respect of US\$100,000 nominal of the Notes will be US\$35.15.

February 26, 1996, London
By: Citibank, N.A., (Issuer Services), Agent Bank **CITIBANK**

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AXA Quality & Low Cost Life Assurance Co	98.00	98.00
AXA Quality & Low Cost Life Assurance Co	97.50	97.50
AXA Quality & Low Cost Life Assurance Co	97.00	97.00
AXA Quality & Low Cost Life Assurance Co	96.50	96.50
AXA Quality & Low Cost Life Assurance Co	96.00	96.00
AXA Quality & Low Cost Life Assurance Co	95.50	95.50
AXA Quality & Low Cost Life Assurance Co	95.00	95.00
AXA Quality & Low Cost Life Assurance Co	94.50	94.50
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AXA Quality & Low Cost Life Assurance Co	4.50	4.50
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AXA Quality & Low Cost Life Assurance Co	3.00	3.00
AXA Quality & Low Cost Life Assurance Co	2.50	2.50
AXA Quality & Low Cost Life Assurance Co	2.00	2.00
AXA Quality & Low Cost Life Assurance Co	1.50	1.50
AXA Quality & Low Cost Life Assurance Co	1.00	1.00
AXA Quality & Low Cost Life Assurance Co	0.50	0.50
AXA Quality & Low Cost Life Assurance Co	0.00	0.00

OTHER OFFSHORE FUNDS

ATP Management Ltd	100.00	100.00
ATP Management Ltd	99.50	99.50
ATP Management Ltd	99.00	99.00
ATP Management Ltd	98.50	98.50
ATP Management Ltd	98.00	98.00
ATP Management Ltd	97.50	97.50
ATP Management Ltd	97.00	97.00
ATP Management Ltd	96.50	96.50
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ATP Management Ltd	37.00	37.00
ATP Management Ltd	36.50	36.50
ATP Management Ltd	3	

MANAGED FUNDING NOTES

Prices are in place unless otherwise indicated, and are based on \$1000 in par value unless in U.S. dollars. Values to be given on all funding agreements.

Prices of certain other instruments listed prices subject to change in price by the issuer.

Prices and risk are indicated. The regulatory authority for these funds are:

- 1. Federal Reserve Bank
- 2. Federal Reserve Bank
- 3. Federal Reserve Bank
- 4. Federal Reserve Bank
- 5. Federal Reserve Bank
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- 7. Federal Reserve Bank
- 8. Federal Reserve Bank
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- 100. Federal Reserve Bank

AIM - Cont

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TRANSPORT

[illegible]

7/78
7/70
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FT GUIDE TO THE WEEK

MONDAY 26

MPs debate Scott report

In London, a parliamentary debate on the findings of Sir Richard Scott's inquiry into the arms-to-Iraq affair is set to test the loyalty of Tory backbenchers. The government insists it has been cleared on the "two central charges" - that ministers secretly authorised the sale of weapons to Iraq and then intentionally misled parliament. However, the opposition insists the government is distorting Scott's findings - which were that MPs were misled and ministers were "at fault". A number of Conservatives privately agree but are expected to toe the government line rather than risk another embarrassing vote of confidence.

African unity conference

Foreign ministers from countries of the Organisation of African Unity meet in Addis Ababa for their annual conference. The main topic is expected to be the proposal by the UN secretary-general, Boutros Boutros-Ghali, for a rapid deployment force of 25,000 troops ready to intervene in Burundi.

EU foreign ministers meet

The most divisive issue facing EU foreign ministers at the general affairs council meeting in Brussels is the proposed trade pact with South Africa. Whether to give the EU Commission the go-ahead to negotiate with South Africa on a wide-ranging trade agreement has split member states because some, such as France, fear it could set a precedent. Similar disagreements are likely when ministers discuss a mandate for negotiations with Mexico. Greece's move to block agreement on an aid package for Turkey will also be debated.

Menem visits France

The Argentine president, Carlos Menem, arrives in Paris for a three-day visit - preceded by a shipment to France of two Argentine horses for President Jacques Chirac. The horses, a gift from Mr Menem, are said to be in fulfilment of a promise made in 1991 when Mr Menem presented Mr Chirac, then mayor of Paris, with a set of silver spurs, vowing that the horse would follow when Mr Chirac became president.

Democracy in Sierra Leone

While rebels in Sierra Leone are chopping off some voters' hands and heads, the west African state is to hold its first presidential election for 10 years. One of the world's poorest countries, the former British colony remains unstable after a military coup toppled Captain Valentine Strasser last month and installed his deputy, Julius Maada Bio. The new regime had asked delegates at a convention to postpone the elections until after peace talks with the Revolutionary United Front, whose leader, Foday Sankoh, promised the



On Thursday, US forces leave Haiti - but President Bill Clinton will be looking out for Cuba after it shot down two unarmed planes

talks if the elections were delayed. Delegates voted to go ahead. More than 10,000 people have died in the civil war.

Chun Doo-hwan on trial

South Korea's former president, Chun Doo-hwan, is to go on trial for corruption. He is accused of accepting as much as Won950bn (£790m) in corporate bribes during his 1980-1988 term. Businessmen who allegedly paid Mr Chun will not be charged because the statute of limitations for their activity has expired. The trial may be delayed if the court decides that Mr Chun has not fully recovered from the effects of a one-month hunger strike.

Take That

Robbie Williams, who broke teenage hearts by leaving the UK pop group Take That, appears in court on the first day of his case against RCA, the band's record company. Williams, who hopes to negotiate with other labels, claims Take That's contract limits free trade.

Berlin film festival prizes

The 1996 Berlin Film Festival presents its prizes. Hollywood favourites for the Best Film Golden Bear include Terry Gilliam's time-travel fantasy *Twelve Monkeys* and Tim Robbins' death-penalty drama, *Dead Man's Walking*. Praised oriental movies include *Mahjong*, from Taiwan, and *The Sun Has Risen*, from China. Britain and Taiwan joined talents for the popular opening film, Ang Lee's Jane Austen adaptation *Sense and Sensibility*.

Cricket

World Cup: Pakistan v Netherlands, Lahore, Pakistan; and Zimbabwe v Kenya, Patna, India. Matches in groups A and B continue to March 6.

Public holidays

Cyprus, Greece, Kuwait.

TUESDAY 27

Dole faces tough primaries

Three of this week's four US Republican primaries take place in Arizona, North and South Dakota - with that in South Carolina on Saturday. Bob Dole, who is badly in need of winning, faces tough competition from Pat Buchanan in conservative Arizona and South Carolina - where religious conservatives are influential - and possibly even in the Dakotas. Lamar Alexander, from Tennessee, also must show some strength in his native south to prove his viability as the establishment alternative to Mr Dole.

War crimes hearing

The UN criminal tribunal for former Yugoslavia holds a public hearing in The Hague against Milan Martić, a rebel Croatian Serb leader accused of ordering a cluster-bomb attack on Zagreb. Mr Martić, who is believed to be in Serbia, is charged with war crimes relating to two rocket attacks in which seven civilians died. Although he cannot be tried in his absence, witnesses may be called and an international arrest warrant issued.

Christopher in Latin America

The US secretary of state, Warren Christopher, arrives in Chile from El

Salvador as part of a tour of Latin America and the Caribbean (to Mar 4). He flies on to Argentina, Brazil and Trinidad and Tobago. It is the first extended visit to the region by a US secretary of state for seven years and marks a recognition of the spread of democratic politics and free-market economic policies.

Public holidays

Dominican Republic.

WEDNESDAY 28

Palme murder mystery

A sombre Sweden will mark the 10th anniversary of the murder of Olof Palme, the former prime minister. The police are no closer to solving the mystery of who gunned down Mr Palme as he walked home with his wife from the cinema. Theories about the killing have swung from a lone madman to a conspiracy by right-wing extremists within the police force. Not even the murder weapon has been found.

FT Survey

FT Exporter.

THURSDAY 29

Summit of Caribbean leaders

The impact of the North American Free Trade Agreement on the economies of the Caribbean will be discussed by the prime ministers and presidents of the 14-nation Caribbean Community (Caricom) at a two-day summit in Georgetown, Guyana. Two of the larger members - Jamaica and Trinidad and Tobago - want to be listed

SATURDAY 2

Elections in Australia

Australians go the polls to elect a new federal parliament. The Labor party has been in power for 13 years and there are signs that voters seek a change. However, the opposition - a coalition of the conservative Liberal and National parties - has offered few distinguishing policies. Its lead in the opinion polls, which stood at 10 percentage points, has halved during the campaign.

Forestry conference

The World Commission on Forestry and Sustainable Development, which was set up after the Earth Summit in Brazil, will hold public hearings in Jakarta, Indonesia, involving 200 participants representing groups with diverse stakes in the world's forests (to Mar 8). The aim is to lay the groundwork for a common policy on the sustainable use and management of forests. The premise is that forest development and environmental preservation are compatible goals.

Rugby union

Five nations' championship: Ireland v Wales, Dublin; and Scotland v England, Edinburgh.

Public holidays

Ethiopia, Georgia, Libya, Myanmar.

SUNDAY 3

Aznar poised in Spain

General elections take place in Spain which are expected to bring the centre-right Popular Party to power, ending 13 years of socialist governments headed by the prime minister, Felipe Gonzalez. Although opinion polls put the PP leader, José María Aznar, in front, his advantage only ranges between 5 and 10 percentage points. This could deny the centre-right an overall majority in parliament. Mr Aznar says Spain requires an austere, efficient and honest government to wrestle down the fiscal deficit, reduce unemployment and root out corruption from public life.

Ballot in Benin

Benin's old guard takes on a former World Bank official in its presidential election. Mathieu Kérékou, the Marxist who led the tiny west African state for 18 years until 1991, is running against the incumbent Nicéphore Soglo. Mr Soglo reversed Benin's disastrous economic decline by applying the bank's structural adjustment formula. The result: GDP growth of about 6 per cent last year.

Compiled by Simon Strong.
Fax: (+44) (0)171 873 8194.

Other economic news

Monday: German cost of living data this week are expected to show that inflationary pressures remained subdued this month in the west German states.

Tuesday: Economists expect a batch of US data to show that US retail sales fell last month although consumer confidence is thought to have rebounded in February. US producer price inflation is forecast to have slowed slightly last month.

Wednesday: French gross domestic product is forecast to have contracted in the fourth quarter of last year. US consumer prices are expected to have accelerated slightly between December and January while the country's visible trade gap is thought to have widened in December.

Thursday: The French unemployment rate is expected to have remained stable at close to 12 per cent last month. UK figures should show a widening of the trade gap with the rest of the world in December, although that with countries outside the European Union is expected to have narrowed slightly last month.

Friday: Italian gross domestic product is thought to have contracted in the fourth quarter of last year.

Statistics to be released this week

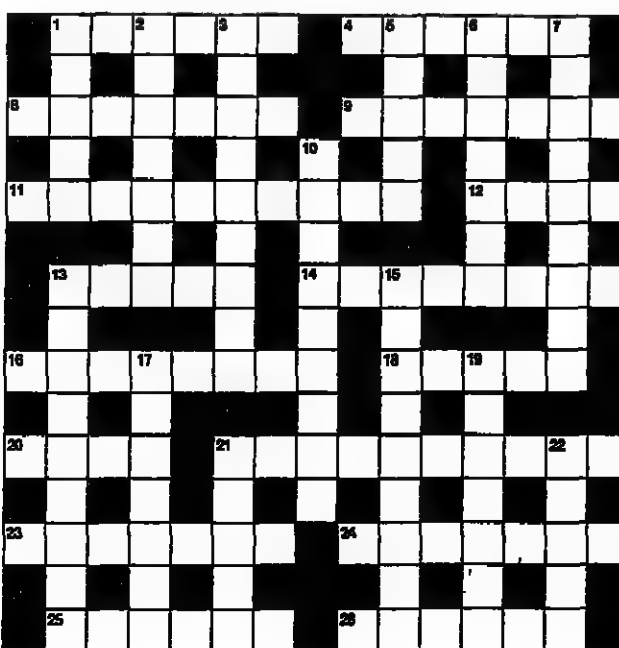
Day Released	Country	Economic Statistic	Median Forecast	Previous Actual	Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Japan	Dec 04 all pers'l consumer expend**	-1.5%	-2.4%	UK	Dec global trade	-5900m	-5907m	
Feb 26	Japan	Jan department store sales**	-	-1.8%	UK	Jan final money data	-	N/A	
	France	Jan consumer price index tri*	0.3%	0.1%	UK	Jan consumer credit	2850m	N/A	
Tues	US	Jan producer price index	0.4%	0.5%	Feb	US	Feb Net Assn Purchasing Mngrs	46.6%	44.2%
Feb 27	US	Ditto ex-food & energy	0.2%	0.1%	Mar 1	US	Feb Michigan sentiment final	-	98.6
	US	Jan retail sales	-0.3%	0.3%	US	Feb domestic automobile sales	6.6m	6.5m	
	US	Jan retail sales ex-autos	unch	0.2%	US	Feb domestic light truck sales	6.0m	6.0m	
	US	Feb consumer confidence	88.0	87.0	Japan	Jan unemployment rate	3.4%	3.4%	
	Japan	Jan retail sales**	2.0%	-2.5%	Japan	Jan job offers/seekers ratio	0.85	0.85	
	Japan	Jan industrial production†	1.0%	0.8%	Japan	Feb Brk Japan Tankan CI manufact	-7.0%	-14.0%	
Wed	US	Jan consumer price index	0.5%	0.2%	Japan	Ditto, non-manufacturing	-18.0%	-22.0%	
Feb 28	US	Ditto ex-food & energy	0.2%	0.1%	Japan	1996 Tankan capital spending	0.3%	3.8%	
	US	Dec trade: goods & services	-\$7.0bn	-\$7.1bn	Japan	Feb automobile sales**	-	6.6%	
	US	Ditto, exports (balance of payments)	\$67.7bn	\$67.4bn	Japan	Feb forex reserves*	-	-0.01%	
	US	Ditto, imports (balance of payments)	\$74.9bn	\$74.4bn	UK	Feb Chart Inst Purchasing Mngrs	-	N/A	
	US	Jan existing home sales	-	3.51m	During the week...				
	US	Jan real earnings	-	-0.2%	Germany	Jan industrial production, West*	-0.8%	1.6%	
	US	Dec business inventories	unch	0.1%	Germany	Jan manufacturing output, West*	-1.0%	2.4%	
	Japan	Jan shipments†	-	0.7%	Germany	Jan industrial production, non-Germany*	-0.4%	0.6%	
Thur	US	Feb Chicago Ass Purchasing Mngtr	-	50.9%	Germany	Jan import prices*	0.3%	0.3%	
Jan 29	US	Feb agricultural prices	-	1.9%	Germany	Jan import prices**	-1.1%	-0.3%	
	US	Initial claims w/e Feb 24	880,000	-	Germany	Feb prelim cost of living, West*	0.4%	0.1%	
	Japan	Jan construction orders**	-	8.9%	Germany	Feb prelim cost of living, West*	1.8%	1.4%	
	Japan	Jan housing starts**	3.8%	4.8%	Italy	Jan Istat 3-month average	2.2%	2.1%	
	UK	Jan ex-EC trade	-2800m	-2813m	*month on month, **year on year; †seasonally adjusted. ‡Statistics courtesy MMS International.				

ACROSS

- Putting a couple of grand in his dish... (6)
- ... said what ruler did was wet (6)
- Therefore luncheon voucher taken by Abraham is free (7)
- In schools it's taught a broken leg needs support (7)
- Travelers can start eating in moving trains (10)
- Title of ballad old Penny included (4)
- Which guides the local timber supplier (5)
- Grating in an Indian sink is half missing (6)
- Drink freely if left on a merry-go-round (8)
- Chaste maiden originally spoken to (5)
- Revise part of deed I typed (4)
- Lady Swan gets rise on arranged for senior citizens (10)
- Judge taking part in rare broadcast (7)
- Is next to enter during the commercials (7)
- Elegant groom said why (6)
- Hint about leading Norwegian's dazed state (6)

DOWN

- Weakness of one in swimming bath (5)
- George, confess to being an adult (8-2)
- Where doctor never sins (6)
- Book eventually finished early (5)
- No end of unwanted leaves (7)
- Challenged wickedness of reckless person (9)
- Calling for gent's leader to go sick (9)
- Soldiers surrounded by dead men shivered and wandered around (8)
- The rest stay up, looking embarrassed (8)
- Abroad, Neil managed to sketch (7)
- Telephoned job centre on arriving at capital (7)
- Present sent off on vessel of iron (5)
- Limits shooting practice here (5)



MONDAY PRIZE CROSSWORD

No.9,003 Set by GRIFFIN

A prize of a Pelikan New Classic 350 fountain pen for the first correct solution opened and five runner-up prizes of 500 Pelikan vouchers will be awarded. Solutions by Thursday March 7, marked Monday Crossword 9,003 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 1UL. Solution on Monday March 11. Please allow 28 days for delivery of prizes.

Name _____

Address _____

Winners 8,991

David Palmer, Bonn, Germany
Brian Candy, Maidenhead
Joe Fitton, Rochdale
J.W. Pratt, Newcastle upon Tyne
Mrs Zeyla Thompson, Bricklet Wood, Herts
Gerald Walsh, Preston

Solution 8,991

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Secured floating rate bonds 2004

In accordance with the terms and conditions of the bonds, the rate of interest for the interest period 26 February 1996 to 27 August 1996 has been fixed at 5 per cent, per annum. The coupon amounts due for this period are US\$ 127,200 per annum (US\$ 12,720,000) and are payable on the interest payment date August 27th, 1996.

Agent: Morgan Guaranty Trust Company

JPMorgan

BANQUE NATIONALE DE PARIS

US\$ 100,000,000

Collateral Floating Rate Notes due 2005

Notice is hereby given that the rate of interest for the period from February 26th, 1996 to August 27th, 1996 has been fixed at 5 per cent, per annum. The coupon amounts due for this period are US\$ 127,200 per annum (US\$ 12,720,000) and are payable on the interest payment date August 27th, 1996.

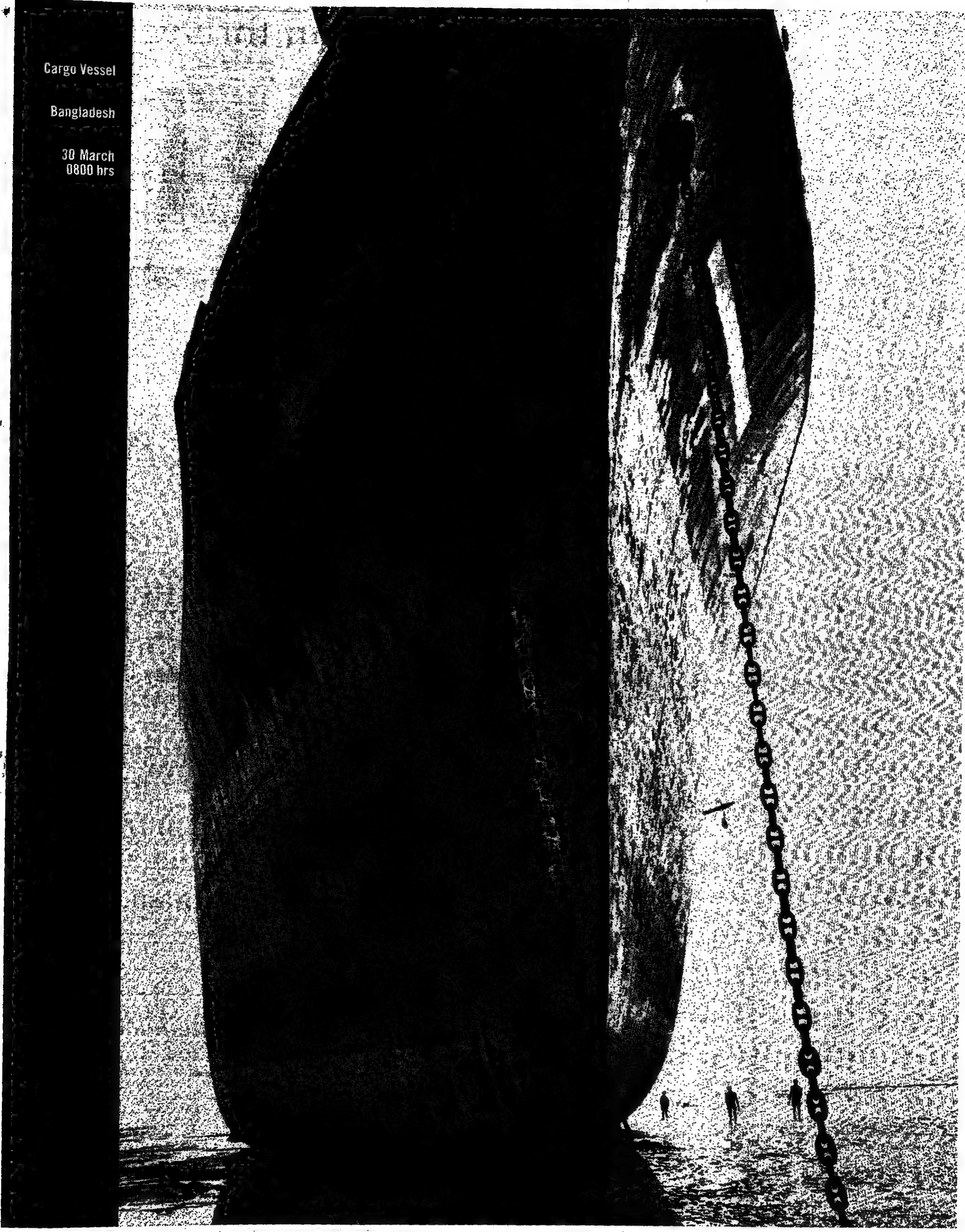
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JOTTER PAD

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JOTTER PAD

BUSINESS EDUCATION

Della Bradshaw talks to Kellogg's dean, Donald Jacobs, about his past successes and new alliances

With one eye on the future

At 68 years old most people would have retirement in their sights. Not so Donald Jacobs, dean of the Kellogg graduate school of management at Northwestern University, just outside Chicago. For him it is still business as usual.

"It's very hard to leave a job you enjoy so much," smiles America's "dean of deans", a title he has earned over 20 years in the job. During that time he has transformed Kellogg from a run-of-the-mill business school into one of America's finest. He was one of the first deans to introduce a dedicated residential centre for executive courses and fostered the idea of team-working at a time when business study was largely seen as a solitary activity.

He is the longest-serving dean "by a long shot" of any of the leading American business schools. "They forget to fire me and I forget to go," he jokes. At a time when the tenure of many US deans is on the wane, Jacobs is relaxed about his position. Most of his peers, he says, are under tremendous pressure from their governments and advisers if the schools do not perform well in the business school rankings. Consistently appearing at the top of the lists - the school was ranked number two by BusinessWeek in its 1994 survey and was top of the list two years earlier - Jacobs claims to have only one problem - "having 6,000 more applicants than I need for



Donald Jacobs, America's 'dean of deans', is hoping to be in the classroom next year teaching European executives

the 450 places on my MBA course".

A tea-drinking vegetarian who swims every day, Jacobs is now geared up for his latest venture - an MBA course for experienced executives in Europe, to be run as a joint venture with IAE (Institut d'Administration des Entreprises) in Aix-en-Provence, France.

The two-year course is aimed at executives with at least 10 years' experience and each year they will study for three weeks in Aix-en-Provence and one week at the Kellogg campus at Evanston, Illinois, where European students will mix with their US counterparts. There will also be weekend study in Brussels, looking at European issues such as lobbying.

The course will be in English with 50 per cent of the course run by Kellogg staff, 50 per cent by IAE staff.

Executives earn a double MBA.

Each applicant will be interviewed and 20 to 30 accepted for the first course in January 1997 - there will be 60 on subsequent courses. "They will be from many different backgrounds and industries," says Olivier Tabatoni, associate dean at IAE.

Tabatoni and Jacobs believe the Kellogg-Aix executive MBA programme could not have happened 10

years ago because faculty did not have the appropriate attitude to globalisation nor experience in teaching executives. "Now we have a faculty that knows how to work with executives. We do it all year round," says Jacobs. At any one time Kellogg has more than 400 students studying weekend courses and all Kellogg's executive education courses are sold out for the whole of 1996 and 1997.

Jacobs hopes that he will be one of the instructors on the Kellogg-Aix executive MBA, lecturing in corporate governance - if his teaching is deemed up to scratch. Both Kellogg and IAE operate a system of student assessment of faculty teaching skills, a system Jacobs introduced at Kellogg to encourage his research-orientated staff to improve their teaching skills. Academics, he points out, can be particularly competitive.

He acknowledges that student comments are important to him, too. This term he is teaching two courses at Kellogg - half the workload required from the full-time teaching staff. The first is in corporate governance, the second a group-based project on the European single currency.

Students are split into a number of groups with two groups representing each European country. Each group then prepares a presentation saying why the single currency would be good or bad for their country.

"I think I'm going to get a good grade on this one," he reports.

Application beats aura

Della Bradshaw investigates the qualities of a successful dean

With business school houses under increasing pressure from students and corporations alike, what is it that makes a successful dean?

The answer, according to research conducted by the Lancaster University Management School, is twofold: the best deans are those who listen to their faculty and students; and they are those who work hard.

"The most successful are those that have a close understanding of their own school," says Allan Bolton, school administrator at Lancaster. "They are those who said they spent the first six months to a year after their appointment listening to their faculty and students."

Many outside appointments are "shooting stars" who are keen to impress the business world but are frequently out of touch with their own faculty, he says.

The other ingredient is simply hard work. Those deans who achieve most in the fundraising stakes, for example, put their success down to application rather

than charisma.

The Lancaster research, to be published shortly, is based on interviews with 17 business school deans, 10 in the US and seven in Europe. The schools selected were an average set of accredited institutions, including the University of Chicago, DMD, the London Business School and Kellogg.

Schools on both sides of the Atlantic had similar attitudes to the organisation but they differed in response to their students, and in particular alumni, according to the research. "In the UK we still think of alumni as the people who left last year," says Bolton. In the US alumni are seen as a future source of revenue and business contacts for the school.

Bolton concludes that the real headache for deans on both sides of the Atlantic is how to implement their vision in an academic world where inaction is endemic. "The deans all wanted to be champions of change and that is never a very comfortable role to perform in academic circles."

CONFERENCES & EXHIBITIONS

MARCH 6-7
So You Want To Buy A Car?
A seminar designed to bring packaging machinery specialists up to date on the state of the art: a range of specific types of equipment, suitable for different design approaches and analysis in which various machine types can be put to their best use. Contact: Beryl Nason, PPA Ltd. Tel: 0181 681 884 or Fax: 0181 681 1641. NORTHAMPTON

MARCH 17-18
Identifying Controlling Risk
This course is designed to provide your business with the essential understanding of the risk inherent in the processes required to support trading business/specialise in any business support specialist have full knowledge of the complexities and the impact of the performance of the risk management and control functions. 4445 + VAT 2 day. Contact: J. Nicholas Blackman. Tel: 0171 606 0084/600 2123. Fax: 0171 600 3751. LONDON

MARCH 7 & 8
Intermediate Swaps
This one day seminar is designed for derivatives traders moving into derivatives trading. It covers: Types of Swaps, Pricing & Valuation, Market Terminology, Counterparty Risk, Credit Risk, Basis Risk, Hedging Swaps, Reversals (Call/Put), Currency Swaps & Asset Swaps, Credit Default Swaps, Risk & Hedging, Arbitrage (Interest Rate, Currency, Commodity), and more. 2 days. Contact: J. Nicholas Blackman. Tel: 0171 606 0084/600 2123. Fax: 0171 600 3751. LONDON

MARCH 7-8
Training Development Bank
Two-day executive level seminar on training MBI-financed business. The 330+ Billion Year Market - Strategic Planning - Organising to Bid and Win - Effective Bid Marketing - Solving Bid Problems - Changing & Challenging Bids. Contact: Development Bank Assoc. Seminar Program, Washington DC. Fax: 202 857-0369/Tel: 202 785-2671. Mayfair International Ltd, LONDON

MARCH 8
Budgeting for Managers
One day, in-depth training programme shows managers with budgeting responsibility how to prepare budgets with confidence and use them to directly improve performance. 1 day. 4365. Contact: Invicta Training. Tel: 0181 851 4044 Fax: 0181 857 2443. LONDON

MARCH 8
UK Housing Finance - Policy, Lenders & The Market
A day conference on a fast changing industry. John Masey, Deputy Chairman, Council of Mortgage Lenders, John McKean, the world authority on information based competition, and Nick Rayford MP are among the speakers. Contact: Chrysalis Ltd. Tel: 01225 466744 Fax: 01225 442903. LONDON

MARCH 13-14
Kagan's Cable/Telephony Competition and Finance
Join leading financial and operating executives for two full days of in-depth discussion on cable and telephony growth opportunities, financing and debt making, programming, competition, operations and marketing. Moderated by Paul Kagan. Contact: Patricia Taylor, Kagan World Media Limited. Tel: 0171 371 8880 Fax: 0171 371 8715. LONDON

MARCH 14
Successful Turnaround Strategies
A unique seminar for non-executive directors, venture capitalists and institutional investors providing an insight into the highly complex process. The programme includes participants through the process from initial diagnosis to successful turnaround including: financial restructuring, operational restructuring, with guest presentations from Howard Oyer, Bentley & Associates, John Hough, Hough & Touche. Tel: 0171 303 6664 Fax: 0171 303 5927. Internet: http://turnaround.gre.co.uk. LONDON

MARCH 18
The Foreign Exchange Market: Surviving the Revolution
Major international conference focusing on some of the major changes which will affect the FX professional in the next few years. In particular the conference will look at two areas: the work currently being undertaken to make European Monetary Union a practical proposition and secondly the changing structure of the FX market. Organised by Dow Jones. Tel: 0171 852 9737 Fax: 0171 333 2791. LONDON

MARCH 18 to 21
Corporate Credit Analysis
This course is for Lending Officers, Credit Analysts, Risk Managers, Bank Inspectors, Internal Auditors & Credit Managers. Covering: Environmental Analysis, Industry Stability & Competitive Position, Management Assessment, Financial Analysis, Cash Flow Analysis, Facility Structure, Risk Rating Systems, How to Present Credit, Problem Loans. 4 days. Contact: TFL/Nicola Blackman. Tel: 0171 606 0084/600 2123. Fax: 0171 600 3751. LONDON

MARCH 19
International Short-term & Commodity Assignments
As companies expand internationally, so their requirements for expertise and employees with international experience is growing. Alternatives to traditional expatriation include the use of short-term and contract assignments. This conference presents new research and case studies of company practice on these forms of international transfer. Contact: Nicola Martin, CBI Conferences. Tel: 0171 779 7400 Fax: 0171 497 3646. LONDON

MARCH 19
Seminar: For British Importers of Moroccan Quality Produce
Moroccan producers of fresh fruit and vegetables, canned fish, cut flowers, will explain the trade opportunities arising from the EU and Morocco trade agreement. Excellent opportunity for British importers to meet producers and do business. Programme details: Arab-British Chamber of Commerce. Tel: 0171 233 4363 Fax: 0171 396 4444. LONDON

MARCH 19-21
Human Resource Development Week 1996
Meeting the Training Challenge. Fully established as the premier event for everyone involved in training and development - the conference provides an unrivalled opportunity to explore the very latest trends. World class speakers, stimulating case studies and examples of industry best practice combine to provide a lively debate, creative solutions and a unique opportunity to network. Contact: Institute of Personnel and Development. Tel: 0181 263 3434 Fax: 0181 263 3366. WEMBLEY

MARCH 21 & 22
Investment Climate in Eastern Europe and FSU
Pharmacia and DRUM/Grain-Hill assess the investment climate in Eastern Europe and the FSU, including energy and automotive industry analysis. Seminar features Boris Federov, Goryunov Suranyi and Christopher Cville. Contact: Corinne Redonnet in London. Tel: 0181 545 6212. Park Lane Hotel, LONDON

MARCH 21 & 22
FT WORLD STEEL - Towards a Truly Global Industry?
The second World Steel conference, organised by FT Conferences in association with CRU International Limited, will discuss the latest structural developments in the sector and consider supply, demand and trade issues. These themes will be addressed from both user's and producer's perspectives. Enquiries: FT Conferences. Tel: 0171 896 2626 Fax: 0171 896 2697. LONDON

MARCH 25 & 27
Leveraging Knowledge for Sustainable Advantage
A two-day conference exploring ways in which companies can capture, share and exploit their organisational knowledge for breakthroughs in business performance. Practical strategies for converting individual know-how into an organisational resource. Contact: Business Intelligence. Tel: 0181 543 6565 Fax: 0181 544 9020. LONDON

MARCH 25-27
Lateral Thinking and Serious Creativity for Management
Presented by: Chuck Dymek, Lecturer in Creative Problem Solving at the University of Illinois. A creative problem solver. A creative problem solver. A creative problem solver. Contact: Juliette Muehlen, Muehlenstock International. Tel: 0181-871 2546 Fax: 0181-871 3866. LONDON

MARCH 28
InterExchange 95
Strategic Investment Management Forum. Discuss with industry experts the issues that will shape the investment management business towards the next millennium. One intensive day seminar. Strategic drivers for business growth - impact on UK investment of emerging European/global legislation. The integrated investment market - opportunities & risks. Business impact of new technologies on industry structure & operations. Sponsored by: Royal Bank of Scotland, S.W.I.F.T. Contact: Catherine Welford, IAE. Tel: 0181 947 2684 Fax: 0181 946 3195. LONDON

MARCH 29
Major Projects
A one-day conference on the high-speed link to the Channel Tunnel, the Alpyrre link rail tunnels, the expansion of Zurich and Copenhagen airports, the Øresund bridge and tunnel, Hong Kong's Western Corridor and airport. Contact: Janet Ross, BASTA. Tel: 01202 392066 Fax: 01202 304791. HEATHROW

MARCH 29
Selection, Recruitment and Preparation for International Assignments
Choosing the right person, to represent your company, is vital if you want to succeed internationally and avoid the high cost of a failed assignment. What can companies do? The half-day seminar looks at the up-to-date with current developments in selection, recruitment and preparing your employees for international assignment. Contact: Steven Brown, ECA International. Tel: 0171 351 5000 Fax: 0171 351 9396/352 069. LONDON

APRIL 2
Fabian Business Seminar
Business & The Social Chapter. Speakers: Robin Cook MP, Michael Meacher MP, Wayne David MP, Bridget Rosewell (Business Strategies), Bob Bitchoff (Beech Group), John Critchley (CBF), John Marks (TUC), Christopher Sainsford (Guinness Mahon). Details & booking call Neil Stewart. Tel: 0171 222 1280 Fax: 0171 222 1278. LONDON

APRIL 15-17
Introduction to Derivatives
It is vital for bankers at the leading edge to be fully acquainted with the risks and rewards of new and sophisticated market instruments. This course provides an excellent practical introduction to the complex area of Derivatives Market & Currency/Interest Rate Derivatives, OTC vs Exchange Traded Options, Oil and Metal Swaps, FRAs, 3 Days. 2795. Contact: Ruppel. Tel: 0171 329 0595 Fax: 0171 329 3833. LONDON

APRIL 17-18
Strategies & Techniques for Business Continuity Planning
This major conference from Survival! The Business Continuity Group will address issues of interest to all involved in building greater business resilience. Streamlined: "Developments in IT Disaster Recovery", "People Factors in Contingency Planning", "Communications and Network Recovery Strategies" and "Software in Continuity Planning". Contact: Liz Powell, Survival! Tel: 0181 874 6266 Fax: 0181 874 6446. Email: service@survivalgroup.co.uk. HEATHROW, LONDON

APRIL 22-23
Introduction to Leasing
A course designed for new entrants to the leasing industry or for general financial practitioners who need to be aware of the basics of off balance sheet, tax efficient structures. The Allowances and Corporation Tax, Deemed and Accounting for Leases, NP, Lease Transactions, Contract Hire Products, 2 Days. 1295. Contact: Fairplay. Tel: 0171 329 0595 Fax: 0171 329 3833. LONDON

APRIL 22 - 24
KPMG Fraud Action
KPMG Fraud Action uses proven video and workshop techniques to bring fraud risk - and its management - to life. In small teams you will identify key risks, probe and investigate. And the whole programme is based around Action, helping you to develop action plans that will work in your organisation. Held at an award-winning management training centre, 30 miles from London. Contact: Ian Huntington, David Davies. KPMG Forensic Accounting. Tel: 0171 311 8584 Fax: 0171 311 8996. LONDON

APRIL 22-25
Information Systems Solutions Series
The effective exploitation of data together with the efficient configuration of data systems are the keys to a successful business. UNICOM SEMINARS presents a multi-module event to review the latest in Data Warehousing/Data Mining, Client Server and IS & OLAP. Pick & mix from a range of broadsheet to specialist seminars designed for business managers. For prospectus: Tel: 01895 256484 Fax: 01895 813095 email: john@unicom.co.uk. LONDON

APRIL 23 & 24
BPM 96 - Business Performance Measurement
Europe's leading annual conference and exhibition on the use of non-financial performance measures for driving business strategy. Covering the Balanced Business Scorecard, EFQM, Intellectual Capital, customer-focused measures and more. Contact: Business Intelligence. Tel: 0181 543 6655 Fax: 0181 544 9020. LONDON

APRIL 25-26
Intelligent Systems for Finance and Commerce
Find out about the electronic decision making that shapes the financial markets. Risk management relies on it. In an introduction to Decision Technologies and Artificial Intelligence in Finance & Commerce: Barclays Bank, Logica, Deloitte & Touche, IBM, Techint, Touche Ross, MacSoft, Imperial College and others discuss the applications of Fuzzy Logic & Neural Networks. A UNICOM business seminar. For prospectus: Tel: 01895 256484 Fax: 01895 813095 email: john@unicom.co.uk. LONDON

JUNE 10-14
IFIAO International Derivatives Week Annual Derivatives Conference and Exhibition
Features and options industry participants exchange views on the latest international business, regulation and compliance, technology and derivatives issues. The exhibition will showcase emerging markets. Contact: Futures Industry Association. Tel: 021 232 465 540. LONDON

JUNE 17 & 18
FT WORLD ALUMINIUM - Strategies for a Global Market
This conference, arranged with CRU International, will address the key themes associated with building global capability in the world aluminium industry: identifying new areas of demand; making correct timing decisions for future capacity increases; recognising the changing needs of users. Enquiries: FT Conferences. Tel: 0171 896 2626 Fax: 0171 896 2697. LONDON

JUNE 24
The FX Market: Trends in Profitability and Liquidity
Recent evidence on the impact of monetary changes in the foreign exchange market on liquidity and profitability and the alternative business strategies adopted by banks. Issues include attempts to capture liquidity through globalisation; fragmentation of spot FX by electronic trading and the shift in the balance of power towards sophisticated users. Addressed by: John Sturges (Citibank), Deputy Governor of Bank of England and other leading practitioners. Contact: Neil Locket. Tel: 0171 542 5717. LONDON

MARCH 17-22
Natural Gas: The Commercial & Political Challenges
A comprehensive five-day seminar/workshop, which explores the commercial and political challenges and examines their political context. The course is designed for all those with current or future management responsibility in or connected with the natural gas business, both in companies and government departments. For further information contact: Aulis Gerdien, The Alphas Group. Tel: +44 171 613 0087 Fax: +44 171 613 0094. Völkert, GERMANY

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MARCH 19 - 21
European Banking & Financial Forum 96
Three days conference in which the Czech and Slovak Prime Ministers, Mr. Michel Combes - Managing Director of IMF, Headmaster President, EBRD Vice-President, OECD Deputy Secretary General, several central bankers including Shabbir A. Siddiqi of Karachi and Sergei Dabitski of Russia, plus more than 300 top bankers and financiers from (1995) 19 countries discuss Europe and Global Financial World Challenges of the 21st Millennium. Contact: Tel: +42 2 53 14 85. PRAGUE

APRIL 3 & 4
Central & Eastern European Power Industry Forum
The latest and future developments in the electricity industry in Central and Eastern Europe. A Forum on ownership issues, privatisation, creative project financing, competition and cooperation opportunities. High level. Contact: PowerWatt CEE. Tel: 31-30-2620963 Fax: 31-30-2620928. ST. PETERSBURG, RUSSIA

SEPTEMBER 30 - OCTOBER 4
Agroprom 96
Agricultural Machines and Production Equipment for the Agroindustry. The exhibition will take place in Russia's largest modern fairgrounds "Krasnaya Presnya", Moscow, and will be organized by "Exposniz, ZAO". For details: Tel: 007 095/205 60 35 Tel: 255 37 59. MOSCOW

MARCH 12 & 13
Investing in Ukraine
With President Kuchma in attendance. Speakers include Roman Shpek, Deputy Prime Minister for the Economy and Viktor Pynskiy, Minister for Economic Reform, plus 8 other senior Government officials and many top western companies. The conference is sponsored by JSC Oil & Gas, EPEC, Inveco & Kraft Foods. Contact: Mr. Omer Akman, Euroforum. Tel: +44 171 878 6930 Fax: +44 171 878 6887. KIEV

The Financial Times plans to publish a Survey on **Executive Education** on Tuesday, March 12.

For an editorial synopsis and information on advertising opportunities please contact: Karl Layton Tel: 0171 873 4874, Fax: 0171 873 3064. FT Surveys.

FT FINANCIAL TIMES

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BUSINESS TRAVEL

Lost in the weekend wasteland

There can be few frequent travellers who have not at some time been caught in the weekend washing wasteland. It is a familiar predicament, particularly for anyone who takes a long-haul trip after a long, hard Friday at the office, having hastily thrown some dirty laundry into a suitcase first thing that morning.

The traveller has a conference to attend on the Sunday morning or a meeting on Monday, so on arrival at the hotel on Saturday afternoon, the first question is what time he or she can have their laundry cleaned and returned.

Almost always, the answer is that the dirty washing will not even be collected until Monday morning - and returned later that evening. If it is a public holiday weekend, the laundry could be returned as late as Tuesday evening.

The traveller now faces a dilemma: attend the appointment in a crumpled and slightly aromatic state, or spend the weekend soaking shirts in the bath and drip-drying them on the line above it. The traveller is then obliged to comb the hotel in search of an inferior iron that obstinately refuses, even on its hottest setting, to remove creases but happily distributes scorch marks in conspicuous places.

An arbitrary survey of hotel

Amon Cohen has trouble getting his laundry done at hotels

laundry services suggests that most hotels are in the weekend wasteland. The exceptions are the trophy hotels, such as London's Savoy, which not only offer a seven-day service but have valets who can take a limited amount of washing and launder it in a few hours.

"There are a few other hotels, such as Inter-Continental and the Hilton London on Park Lane, which have a valet service, but you need to know which they are," says Mike Gates, director of central services at travel agency Hoeg Robinson. "It is important to have a good travel agent who can give you this sort of information, because it is difficult to be sure which offer them and which do not."

It is also sometimes the case that a good four-star or even three-star hotel will wash a shirt in an emergency. Holiday Inn says it could do so if necessary.

But perhaps business travellers should have the right to expect a more comprehensive laundry service, especially when they pay such high prices. As Andrew Solum, travel manager of Innarsat, the global telecommunications group, puts it: "Getting a pair of socks laundered can cost

more than you pay for the socks in the first place."

One group attempting to rectify matters is IT Sheraton, which found that inadequacies in its laundry service were frequently mentioned in guest response surveys. It recently improved its laundry service at six of its European airport properties (two at London Heathrow, plus Luxembourg, Frankfurt, Brussels and a new hotel at Paris Charles de Gaulle).

In addition to the usual same-day service (laundry submitted first thing in the morning is returned that evening), these hotels now offer "express" and "overnight express" options.

With the former, laundry submitted between 7am and 6pm is returned within four hours. "Overnight express" guarantees that laundry taken between 6pm and 10pm will be returned by 7am next morning, or later if requested.

That is the good news. The bad news is that rapid turnaround has to be paid for. Whereas Sheraton charges a standard £4.50 to wash and press a man's shirt, its fee for express service is £6.50 per shirt, and a remarkable £8.50 for overnight express.

Other innovations at Sher-

TAKING FULL ADVANTAGE OF THE COMPLIMENTARY VALET SERVICE JUST BEFORE THE MEETING MAY HAVE BEEN UNWISE, SANDERS



ton's airport hotels include reduced rates for three- and seven-hour stopovers, and provision of a rascally named free "transit survival kit", which includes toothbrush, T-shirt, face cream, slippers and other toiletries.

In addition, Sheraton is introducing what it calls "body

clock cuisine", a selection of menus which it claims are designed to help guests adjust to new time zones and combat flight fatigue. In essence, this means the hotels will provide breakfast, lunch or dinner at any time between 8am and 10pm daily.

If the programme is a suc-

cess, the laundry service in particular could be extended to other properties.

Meantime, Andrew Solum, who is also vice-chairman of the London branch of the Institute of Travel Management, advocates another solution. Although he would like to see hotels offering a speedier service, he recognises that many hotels may find this is not economically viable.

But he has just returned from a lengthy tour of the southern hemisphere. In Australia and New Zealand he found that a growing number of hotels have installed self-service laundrettes for guests.

"Quite frankly, I would rather go and wash my own knickers than have someone else do it. I don't like 1,000 other people washing my underwear," he says.

For those happy to have strangers handling their smalls, perhaps hotels could have one person staffing the laundrette to provide service washes.

With the emergence of in-hotel laundrettes and valets, there is thus a slight chance that weekend corporate travellers will be able to go about their business looking and smelling clean. For the rest, it looks as though carrying a packet of Travel Wash and a portable iron remains the best solution.

Conference organisers on the cyberhunt

Wandering around hotel function rooms with a click of the computer mouse may take some getting used to, but for busy conference organisers it could be the way of the future.

At an exhibition in London this week, Hilton International will step up the battle to attract business meetings by launching a CD-Rom directory which not only carries full descriptions and colour photographs of 163 hotels in 50 countries, but shows exactly where to plug in the projector. There are video clips of almost half these hotels.

Hilton believes its CD-Rom is the first seen in the cut-throat world of conference hosting. Andrew McCulloch, head of research and development, says that to package this much information in a space-saving form that can be constantly updated, "transformations what we can offer the customer".

If customers call up the downtown Vienna Hilton from an alphabetical list, for example, users may click to one of a series of maps showing its location, then zoom in for a detailed street plan.

They will find that the Vienna Hilton is only a short step from the stock exchange, and - should they suffer an excess of that deceptively unbinding new wine known as *heurige* - the hospital. Conference organisers might be drawn to the Metropole room, where they will find details of its capacity and a map showing power points, light switches, even chandeliers.

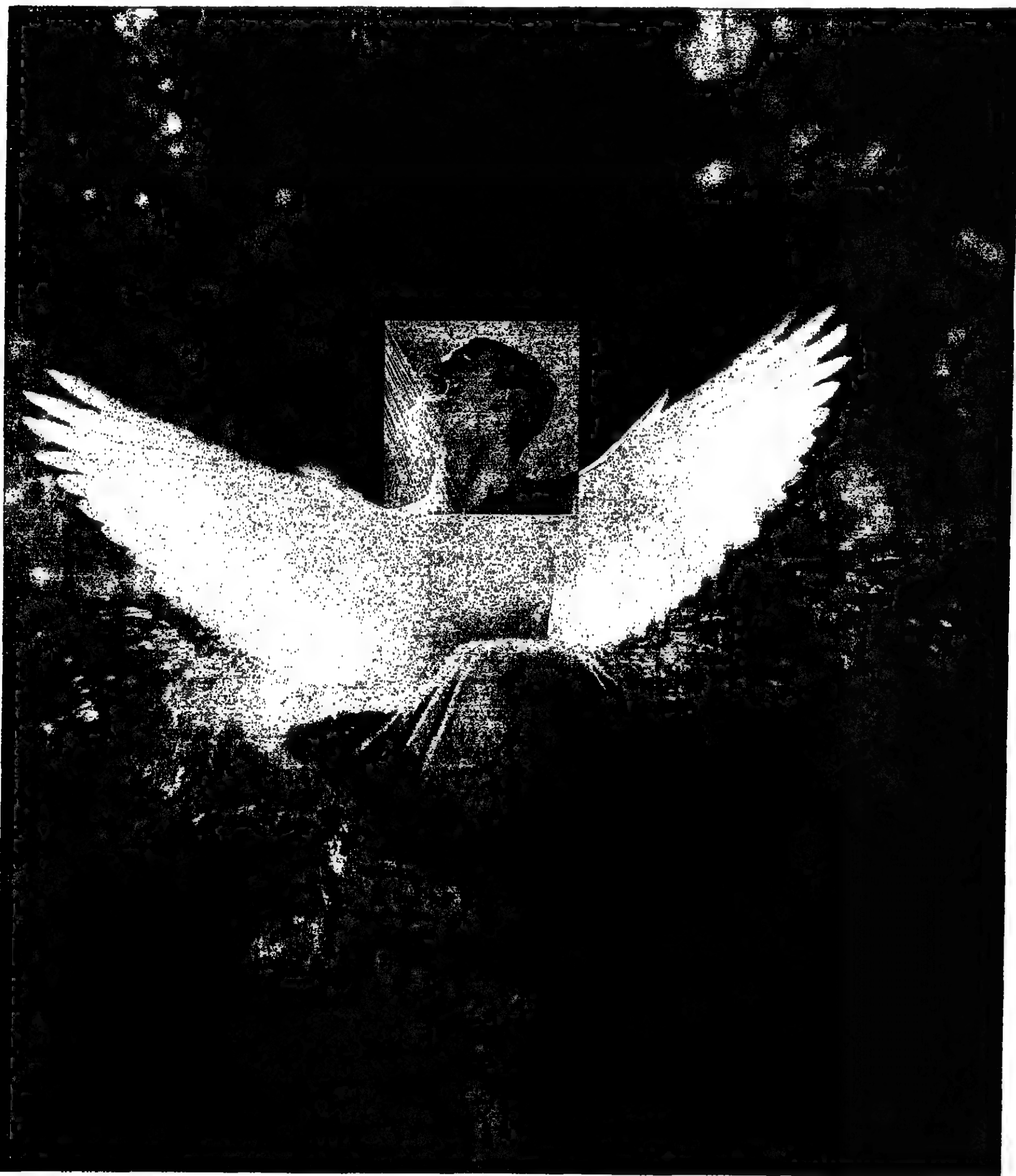
For the geographically illiterate, there is a world map showing cities with Hiltons which organisers may arrow in on. Using this during a test search proved a little quicker than travelling by Concorde, but perhaps rather slower than digging out the atlas.

All this information - floor plans, for example, and data on facilities such as fitness centres and distance from the airport - can be printed out. Hilton's CD-Rom will be available free from March 11.

Roger Bray

Confex, an exhibition for conference planners, is at London's Earl's Court, February 27-29.

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Hong Kong shivers

A winter snap in Hong Kong has killed at least 21 people, prompting the government to distribute blankets and set up emergency shelters. The colony is experiencing its coldest weather in 46 years. Normally hot and humid, Hong Kong shivered all last week in near-freezing temperatures, dampening the lunar new year holiday, and frost dusted the hillsides.

The British colonial government sent out blankets to street sleepers and elderly people living alone, and said it had established 17 shelters for people seeking refuge from the cold.

Strike called off

Finland's air traffic controllers' union has called off a strike planned to start this week, after accepting the state mediator's compromise on pay increases, union officials said.

The union was one of the few labour groups that insisted on an agreement separate to last November's central wage accord.

Earthquake warning

Indonesia must prepare for the possibility of more earthquakes and a possible eruption of the Krakatau volcano, an Indonesian minister warned. The death toll from the recent tremor in the Irian Jaya region had risen to 102, an official said. "We must prepare... because according to the experts Mt Krakatau may erupt at any time, although we cannot predict exactly when," he added. Mt Krakatau, located between Indonesia's Java and Sumatra islands, exploded in 1883, triggering tidal waves that killed more than 36,000 people.

Qantas route confirmed

Confirmation of a draft ruling giving Qantas, the Australian airline, rights to two more Boeing 767-300 services a week to Indonesia has been announced. Qantas has indicated these services will operate from Brisbane or Melbourne.

● Australia's government

last week issued an unprecedented warning to Australians about security in London following two recent IRA bomb blasts that killed three people. Australians travelling to London, or living there, were advised to "maintain a high level of personal security awareness". It was the first time Australia had issued a travel advisory about London, said the foreign ministry.

Road safety fears

There was some bad news recently for business travellers (and others) who race around the roads of Europe.

Europeans, especially Italians, have a reputation for driving like maniacs - and a new road safety report confirms it. After two decades of decline, motorway accidents climbed 3 per cent in 1994 in western Europe, and more than 7 per cent in central and eastern Europe, the European Conference of ministers of transport said.

Their study did not specifically examine the role of speed and recklessness in causing crashes, but ministers expressed worry that deaths rose where they should not have - in places like Austria, the Netherlands and Switzerland, where roads are good and well-maintained.

"The progress achieved in safety over the years is precarious," the Paris-based group's report warned. "The road casualty toll still appears much too high in human as well as in economic and social terms." Although car crashes rose by 3.2 per cent in western Europe in 1994, the most recent year for which figures were available, deaths dropped by 4 per cent to 51,700, the lowest fatality count since 1970.

A few western European countries improved their safety records. Crashes dropped 6.7 per cent in Portugal and 3.5 per cent in both Belgium and France. Those three countries, along with Spain, also saw fewer road fatalities in 1994.

In central and eastern Europe, the number of crashes dropped sharply between 1988 and 1990, but in 1994 there were more accidents than ever in both regions, the ministers said. Accidents rose 7.4 per cent overall, injuries rose 6.7 per cent and deaths increased 3 per cent. "This trend admittedly reflects wider access to travel by car and the increasing shortcomings of road infrastructure," the report said.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	14	15	16	17	18
Hong Kong	15	16	17	18	19
London	8	9	10	11	12
Frankfurt	8	9	10	11	12
New York	11	12	13	14	15
L. Angeles	12	13	14	15	16
Melb.	13	14	15	16	17
Paris	8	9	10	11	12
Zurich	8	9	10	11	12

Information supplied by Meteo Centre of the Netherlands
Maximum temperatures in Celsius

مكتبة النجف

ARTS

OPENINGS

PARIS
A retrospective of the great French landscape painter Jean-Baptiste Camille Corot (right) opens on Saturday at the Grand Palais, marking the bicentenary of his birth. Comprising more than 150 works, it will be complemented at the Bibliothèque Nationale by a selection of his prints and sketches.

Roberto Alagna stars in a new production of Verdi's "Don Carlos" tomorrow at the Châtelet. French opera fans have further cause for celebration at the weekend, when the Palais Garnier (right) reopens after 18 months of refurbishment. Georg Solti conducts a concert performance of Mozart's "Don Giovanni" on Friday, and a new production of "Cosi fan tutte" opens on Saturday.



ATHENS
Ruggero Raimondi, the outstanding Don Giovanni of recent times, is in Athens this week to direct a new production of Mozart's opera at the Megaron concert hall. The conductor is Gustav Kuhn, and the cast includes prizewinners of an international competition entitled "The Quest for Don Giovanni". First night is on Saturday.

CHICAGO
The Royal Academy of Arts has organised an exhibition of work by contemporary British architects, which opens at the Art Institute of Chicago on Friday. Sponsored by the FT, the exhibition consists of architectural drawings, models and photographs of buildings designed by Sir Norman Foster, Nicholas Grimshaw, Richard Rogers and others.

LONDON
The National Theatre presents a new play by David Lan (right) on Thursday, "The Ends of the Earth". Andrei Serban directs; Samantha Bond and Michael Sheen lead the cast.

On Tuesday, at Sadler's Wells Theatre, the admirable Arc Dance Company will present the first London performance of Kim Brandstrup's "Crime Fictions", a new dramatic piece inspired by the ideas of crime, shadowy truth and no less shadowy lies.



THE HAGUE
Following its highly successful showing in Washington, an exhibition devoted to the work of Johannes Vermeer (right) opens at the Mauritshuis on Friday. Although Vermeer is known to have produced only 35 paintings, he is considered one of the great masters of the Golden Age of Dutch painting.



Ballet/Clement Crisp

Far From the Madding Crowd

As the curtain came down at the end of *Far from the Madding Crowd*, a voice near me said "Oh, that's lovely." It was a feeling I shared, though for diametrically opposite reasons from the happy speaker. For three hours David Bintley had taken us on a long trip through a Wessex generously furnished with rustics and such rural crafts as illicit passion, shooting, roistering and sheep-shearing.

I had privately christened the event *Emmerdale Farm*, but for Bintley's eager public in the Birmingham Hippodrome this dance-view of Hardy's novel contains everything they want, and everything he knows so acutely how to give them.

Bintley has produced a three-act ballet for his Birmingham Royal Ballet in which the skeleton of Hardy's drama is embedded in extensive amounts of pastoral quaintness. From hiring-fair to hoe-down (at moments the stage picture suggests *Oklahehoma*), we are offered jollity, high-stepping, cunningly made scenes of rural fun, military copulation, and what looks like a do-it-yourself coffin.

The production is efficient, astutely worked-out. There is a

Recital/John Allison

Olaf Bär's Schubert

All Schubert programmes are not uncommon, but Olaf Bär's at the Wigmore Hall last week was more concentrated than usual. It focused on Lieder from the years 1818-24, and the 18 songs we heard ranged from among the composer's best-known to some neglected numbers. With thoroughness typical of the German baritone and his pianist Helmut Deutsch, this recital had been preceded on Monday with the first of the Wigmore Hall's projected "Insight Concerts", in which the two musicians explored aspects of these songs with a pair of young Lieder singers, Ruth Peel and David Crown.

Bär himself proved an impressive interpreter, but still showed lingering signs of the vocal trouble that beset him a few years ago. His greatest strength is the uniquely cultivated way he has with his native language, and he projected the poems eloquently.

But the whole times, most noticeably in the long "Einsamkeit" which concluded the first half, where his honeyed tone almost dried up and the voice sounded tired, lacking support. Even this song, though, was compelling, since both Bär and Deutsch conjured up the entire range of



A grandiose vision from Hollywood: Paul Sorvino, James Woods and Anthony Hopkins in Oliver Stone's 'Nixon'

All the world's on its stage

The Berlin film festival, offering its richest programme yet, is set to outdo Cannes and Venice in the global movie calendar, reports Nigel Andrews

ism while also persuading that these are real people leading real lives.

Caught between far-flung ends of the earth, Britain's movies seemed somewhat disoriented. Having looked east with a Taiwanese director's version of Regency England, the country looked west with two mid-Atlantic products in *Richard III* and *Restoration*.

In the Shakespeare movie, updated to the first world war, Sir Ian McKellen lords it over a cast ranging from Nigel Hawthorne as a ringing Clarence and Jim Broadbent as a buxom Buckingham to Hollywood's Robert Downey Jr (Lord Rivers) and Annette Bening (Lady Anne). Unlike the National Theatre staging that inspired it, the film never finds a consistency of tone and style, gadding about between warring venues (Brighton Pavilion, City office blocks) and irreconcilable accents.

Restoration is done worse and better. This time Downey lords it over McKellen. The American plays a young 17th-century doctor to Sir Ian's don't-blink cameo as a butler. Since Charles II is played by New Zealand's Sam Neill and our hero's Cornish girlfriend by the non-Cor-

nish Meg Ryan, the result is a dog's dinner dressed up as a banquet.

But what a dressing-up. As the Rose Tremain based-tale commutes between rags and riches, so do the sets and costumes. Court life is a riot of gold, velvet and Rubens-style hangings, with courtiers walking about like wedding cakes on legs. And even when the film descends into mud, Quakerism and the plague, director Michael Hoffman knows a painterly image when his designer shows him one.

Remaining competition movies exemplified the grim state of modern European cinema. Half were echoes of former glory from veterans like Bo Eklöv's *Madigan* Widenberg, offering yet another tale of sexual awakening in bygone Sweden, or France's Bertrand Blier, whose *Mon Homme* is his umpteenth comedy trying to put the Dadaism back into sex, assuming it was ever there in the first place.

Other Euro-films were as hyphenated as their provenances. Straddling cultures and styles, they included the Polish-German (Wajda's disappointing comeback drama

about the Warsaw Ghetto *Holy Day*), the French-Italian (Ricky Tognazzi's bland high-finance thriller *Strangled Lives*) and even the Belgian-French-Tunisian in Ferid Boughedra's comedy with allegorical trimmings, *A Summer In La Goullette*.

Michael Verhoeven's *A Mother's Courage* takes the Golden Biscuit, though, for cultural middle. Based on the writings of Hungarian refugee Georg Tabori, the German film tells the story of Tabori's mother and her narrow escape from deportation to Auschwitz. With hundreds of other Jews she was trundled to the border in a cattle car, only to find last-minute mercy from a Nazi officer. Piquant tale. But whom do we have as Mrs Tabori? Our own Pauline Collins, whose mouth seems to frame her German dialogue with as much surprise as her eyes register the twists of the plot. No wonder many festival-goers ran for relief to the sidebars or the Young Film-Makers Forum. Like the Cannes Directors Fortnight, the Forum honours gritty, single-minded visions. Italy's *The Uncle From Brooklyn* is a picture of Sicilian peasant life at once brutally funny and serenely minimalist.

(Strange bodily noises predominate over dialogue in many parts of the soundtrack.) Hong Kong's *Fallen Angels* is another boldly Fauvist tragicomedy about love and gangsterdom from *Chungking Express*'s Wong Kar-Wai. And from the US, Todd Solondz's *Welcome To The Dollhouse* and Todd Verow's *Frisk* offer hypnotic insights into the American dream - or nightmare - as they probe, respectively, the comical horrors of high school life and the real horrors of extreme sexual fantasy.

Looked at whole, rather than quality-tested for its competition, this may have been the richest Berlin film festival in modern memory. Having filled the main event with Hollywood's new guard, Berlin invited two great older guardians - Jack Lemmon and Eila Kazan - to preside over programmes of their work. And it topped those shows off with a full-scale William Wyler retrospective, from which only Wyler himself, for reasons of mortality, was absent. Berlin may not boast the natural environmental comforts of Cannes or Venice, especially in this blizzard-swept year. But it is fast becoming their equal or superior in the movie calendar.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-5730573
● Netherlands Philharmonic Orchestra with conductor Hartmut Haenschel and pianist Rian de Waal perform the "Wanderer" Fantasy for piano and orchestra by Schubert/Liszt, Wagner's *Einherluf*, and Beethoven's Symphony No.5, 8.15pm, Mar 2, 3 (12.15pm), 4, 5

ANTWERP

CONCERT
De Singel Tel: 32-3-2483800
● Koninklijk Filharmonisch Orkest van Vlaanderen with conductor Muel Tans and viola-player Leo De Neve perform works by Hindemith, Dux and Stravinsky, 8pm; Mar 1

BERLIN

OPERA
Deutsche Oper Berlin
Tel: 49-30-3438401
● Die Zauberflöte: by Mozart. Conducted by Stefan Soltesz and

performed by the Deutsche Oper Berlin. Soloists include Halgrimson, McCarthy, Peacock, Hagen, Clear and Felthoff; 7.30pm; Feb 29

BOSTON

CONCERT
Boston Symphony Hall
Tel: 1-617-266-1492
● Die Jahreszeiten: by Haydn. Performed by the Boston Symphony Orchestra with conductor Marek Janowski. Soloists include soprano Ruth Ziesak, tenor Christophe Prégardien and bass Alastair Miles; 8pm; Feb 27

CAPE TOWN

JAZZ & BLUES
Nico Theatre Complex
Tel: 27-21-215470
● Irene Reid and Mike Carr: performance by the vocalist and organist. Part of the International Jazz Festival; 1pm; Feb 28

COPENHAGEN

DANCE
Det Kongelige Teater
Tel: 45-33 14 10 02
● Romeo and Juliet: a choreography by Frederick Ashton to music by Prokofiev, performed by the Royal Danish Ballet; 8pm; Feb 27, 29; Mar 1, 2

DRESDEN

OPERA
Sächsische Staatsoper Dresden
Tel: 49-351-49110
● Elektra: by R. Strauss. Conducted by Friedemann Layer and performed by the Sächsische

Staatsoper Dresden. Soloists include Felicity Palmer, Carla Pohl, Helga Thiede and Klaus König; 7.30pm; Feb 28; Mar 3

GENOA

OPERA
Teatro Carlo Felice
Tel: 39-10-589329
● Turandot: by Puccini. Conducted by György Györfi-Rath and performed by the Teatro Carlo Felice. Soloists include Alessandra Marc, Keith Olsen and Alicia Fennarini; 8.30pm; Feb 27, 29; Mar 1, 3 (3.30pm)

GHENT

OPERA
De Vlaamse Opera
Tel: 32-9-2230681
● Tosca: by Puccini. Conducted by Silvio Varviso and performed by De Vlaamse Opera. Soloists include Maria Guleghina, Fabio Armilato and Knut Ström; 8pm; Feb 28; Mar 2

HOUSTON

EXHIBITION
The Menil Collection
Tel: 1-713-525-9400
● Eve Arnold: A Retrospective: exhibition featuring more than 150 black-and-white and colour photographs taken by Arnold over a forty-year period; from Mar 1 to Apr 28

LEIPZIG

MUSICAL
Oper Leipzig Tel: 49-341-1261261
● West Side Story: by Bernstein. Conducted by Seifarth and

performed by the Oper Leipzig; 7.30pm; Mar 1, 2 (7pm)

LISBON

CONCERT
Grande Auditório da Fundação Gulbenkian Tel: 351-1-7935131
● Orquestra Gulbenkian: with conductor Frans Brüggen and pianist Pedro Burmeister perform Beethoven's Rondo for Piano and Orchestra and Symphony No.2; 9.30pm; Feb 29; Mar 1 (6.30pm)

LONDON

CONCERT
St John's, Smith Square
Tel: 44-171-2221061
● Gundula Janowitz: accompanied by pianist Kelvin Grout. The soprano performs songs by Schubert, Schumann and R. Strauss; 7.30pm; Feb 29
Wigmore Hall Tel: 44-171-9352141
● Steven Osborne: the pianist performs works by J.S. Bach, Beethoven, Chopin and Liszt; 7.30pm; Feb 27

DANCE

Royal Opera House - Covent Garden Tel: 44-171-2122244
● Giselle: a choreography by Pepita to music by Adolf Adam, performed by The Royal Ballet. Soloists include Viviana Durante and Irak Mukhamedov; 7.30pm; Feb 29

MADRID

OPERA
Teatro de la Zarzuela
Tel: 34-1-4292258
● La Cenerentola: by Rossini. Conducted by Antoni Ros Marba and performed by the Teatro de la

Zarzuela. Soloists include Jennifer Lamore, Rockwell Blake and Manuel Lanza; 8pm; Feb 28; Mar 3

NEW YORK

CONCERT
Avery Fisher Hall
Tel: 1-212-875-5030
● Symphony No.8: by Mahler. Performed by the New York Philharmonic with conductor Daniele Gatti; 7.30pm; Feb 27

OPERA

Metropolitan Opera House
Tel: 1-212-362-6000
● Aida: by Verdi. Conducted by Christian Badea and performed by the Metropolitan Opera. Soloists include Nina Rautio, Dolora Zajick, Michael Sylvester and Juan Pons; 8pm; Feb 28; Mar 2 (1.30pm)

PARIS

CONCERT
Salle Gaveau Tel: 33-1 49 53 05 07
● Joseph Kalichstein, Jaime Laredo and Sharon Robinson: the pianist, violinist and cellist perform works by Brahms, Dvorak and Beethoven; 8.30pm; Feb 28
● Vury Goukoff: the pianist performs works by Beethoven; 8.30pm; Feb 27

DANCE

L'Opéra de Paris Bastille
Tel: 33-1 44 73 13 99
● Le Parc: a choreography by Angelin Preljocaj to music by Mozart, performed by the Ballet de l'Opéra National de Paris, the Orchestre de l'Opéra National de Paris with conductor Bertrand de Billy, and pianist Jean-Yves Skoliotte. Soloists include Isabelle Guérin and Laurent Hilaire (Feb 27,

Mar 1), and Elisabeth Maurin and Manuel Legris (Feb 28, Mar 2; 7.30pm; Feb 27, 28; Mar 1, 2

ROME

OPERA
Teatro dell'Opera di Roma
Tel: 39-6-481601
● Turandot: by Puccini. Conducted by Yuri Ahranovitch and performed by the Opera di Roma. Soloists include Valentina Sidlova; 8.30pm; Feb 27, 28; Mar 2 (6pm)

STOCKHOLM

DANCE
Kungliga Teatern - Royal Swedish Opera House Tel: 46-8-7914300
● Royal Swedish Ballet perform George Balanchine's choreography Theme and Variations to music by Tchaikovsky, and Kenneth MacMillan's choreographies Pavane, to music by Fauré, and Song of the Earth, to music by Mahler; 7.30pm; Feb 29; Mar 1, 2 (3pm)

VIENNA

CONCERT
Konzertsaal Tel: 43-1-7121211
● Solomont: by Handel. Performed by the Wiener Singakademie and the Akademie St Michael, conducted by Herbert Böck; 7.30pm; Feb 27

WASHINGTON

CONCERT
Concert Hall Tel: 1-202-467 4600
● National Symphony Orchestra: with conductor Esa-Kias and violinist Thomas Zehetmair perform works by Liadov, Prokofiev, Dvorak and Tchaikovsky; 7pm; Feb 27

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COMMENT & ANALYSIS



Michael Prowse • America

Hat trick for Alan

Greenspan wins another term at the Fed despite White House fears that tight monetary policies are depressing growth

It is time to breathe a sigh of relief. At last, President Bill Clinton has nominated Mr Alan Greenspan for a third term as chairman of the Federal Reserve. After months of vacillation, he also announced surprisingly sensible candidates for other Fed vacancies. He wants Ms Alice Rivlin, his budget director, to succeed Mr Alan Blinder, the Princeton economist, as Fed vice-chairman, and Mr Laurence Meyer, an economic forecaster, to fill a second vacant governorship.

Mr Greenspan's renomination was expected. Indeed, Mr Clinton's advisers realised long ago that no candidate more ideologically acceptable to the White House would have any chance of winning the confidence of either Wall Street or the Republican-controlled Senate.

Yet news of his impending renomination still contributed to a 90 point surge in the Dow Jones index last Thursday. This was not at all irrational. Mr Greenspan's judicious monetary decisions and sagacious congressional testimony have come to seem indispensable. At a time when financial markets are jittery and the economic outlook uncertain, a steady hand at the Fed - still the world's most influential central bank - is more important than ever.

Mr Greenspan (whose Senate confirmation is a formality) will nevertheless begin his third term amid growing criticism that restrictive Fed policies are depressing the economy. Figures last week showed that growth slowed to an annual rate of 0.9 per cent in the fourth quarter of last year, growth for 1995 as a whole was 2.1 per cent, the slowest since the 1990/91 recession.

Mr Clinton has made no secret of his belief that the Fed has put excessive emphasis on fighting inflation. "We ought to debate whether conventional wisdom on how fast this economy can grow is right," he said recently. And

last week Ms Laura Tyson, his top economic aide, declared there was no better place for this debate than on the Fed's policy-making open market committee.

Mr Clinton had hoped to temper Mr Greenspan's influence by nominating an explicitly "pro-growth" candidate for the Fed vice-chairmanship.

He initially signalled that he wanted Mr Felix Rohatyn, the New York investment banker and a passionate advocate of higher government spending, to fill the Blinder vacancy. But Mr Rohatyn was vetoed by conservative Republicans, which was fortunate because he would have been a polarising figure at the Fed. He would have become an instant target for criticism in financial markets which were far from happy with Mr Blinder, a moderate by comparison.

The task of advancing Mr Clinton's "growth agenda" thus falls to Ms Rivlin and Mr Meyer, who seem likely to win Senate confirmation fairly easily. Ms Rivlin, an economist whose expertise lies mainly in fiscal policy, has not previously shown any interest in a Fed job. But she could prove a clever choice. She has known Mr Greenspan for years and has enjoyed the respect of both Democrats and Republicans on Capitol Hill since the

late 1970s, when she served as the first director of the non-partisan Congressional Budget Office. She is more experienced politically than Mr Blinder, better at handling the media and less likely to adopt a confrontational stance. If Mr Clinton is still around when Mr Greenspan retires, she just might become the first woman to lead the Fed.

Mr Meyer, an economics professor at Washington University in St Louis, also seems a sensible choice. He runs his own economic consulting firm which has won awards for the accuracy of its forecasts. And he seems to be a non-ideological type with mainstream views: his forecasting model draws on monetarist, Keynesian and supply-side theories.

If confirmed, Ms Rivlin and Mr Meyer are most unlikely to persuade the Fed to adopt more expansionary policies than it would otherwise have favoured. Over nine years Mr Greenspan has acquired great influence within the Fed. Yet even he has to accept the collective decisions of the open market committee. Five of the 12 voting seats are held (on a rotating basis) by the presidents of the Fed's regional banks, some of whom are more hawkish than Mr Greenspan. And three of the seven governors will remain Reagan or Bush

appointees. The framework for the committee's decisions, moreover, will continue to be set by the economic forecasts produced by the Fed's large professional staff.

But Mr Clinton should not worry, because it is highly improbable that restrictive Fed policies are depressing US economic growth. The White House's unease in part reflects the impact of statistical changes that have reduced measured growth by about half a percentage point (without, of course, affecting the real economy). The conventional wisdom today (reflected in the latest report from Mr Clinton's Council of Economic Advisors) is that the economy can enjoy sustained annual growth of no more than 2 to 2.5 per cent.

Mr Greenspan, if anything, takes a more optimistic view because he is sceptical of official economic statistics, particularly estimates that show little increase in productivity growth since the 1970s despite much restructuring and technological progress. In any case, as he said last week, the Fed does not base policy on theoretical estimates of potential growth.

It tightened policy aggressively in 1994 not because it thought growth was exceeding some arbitrary speed limit, but because clear signs of economic strain - such as rapidly rising rates of capacity utilisation and rising materials prices - had emerged. It began to ease policy last year as soon as the strains began to dissipate. It will cut rates further if unemployment rises and inflation stays subdued.

In truth, the Fed is already pursuing the kind of pragmatic policies favoured by most Democrats. Its goal is to achieve the maximum possible growth rate. Mr Greenspan differs with Mr Clinton only in having a clearer understanding of the lesson of the 1970s: that keeping inflation low is a precondition for sustained growth of living standards.



Faces for the Fed: Alice Rivlin (left) and Alan Greenspan

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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No bias towards Berlusconi on Italian TV

From Sen. Licio Caputo and Mr Riccardo Pera MP.

Sir, In your editorial "Italy at the polls again" (February 19), you said that Mr Silvio Berlusconi, besides owning three commercial TV channels, has managed to place his supporters in the most powerful position in the RAI state television service and that "the bias in broadcasting ranges from the blatant to the

subtle, but it is undoubtedly pervasive".

We must stress most forcefully that this is not true. Statistics published on the very day of your editorial show that during the last 12 months the RAI news services dedicated more time to the Democratic party of the left than to Forza Italia and Alleanza Nazionale and that the RAI 3 was just as biased in

favour of the left as one of the private Fininvest channels was towards the right.

Besides, the two most important newscasters of RAI, Mr Biagi and Mr Santoro, and the most important host of a talk show on Channel 5 (nominally a Berlusconi channel), Mr Maurizio Costanzo, notoriously belong to the parties of the left and make no effort to hide their

partiality. And since most national newspapers are also on the side of the centre left, you will find Italy's media situation is very different from your description.

Livio Caputo,
Forza Italia foreign affairs
spokesman,
Riccardo Pera,
Italian parliament,
Rome, Italy

Monetary union a political decision in Germany

From Mr Jan-Peter Olters.

Sir, I do understand that Euro-critical Bundesbank statements raise the hopes of British Euro-sceptics that - maybe - the Euro-spectre will just evaporate, and, in its wake, will allow them to overcome their political isolation in Europe.

As much as the desire not to be alone is understandable, interpretations such as the ones offered by Lex on February 18 - "For Chancellor Kohl to force through monetary union against the explicit advice of the Bundesbank is virtually unthinkable" - plainly contradict political reality in Germany. This dictates that decisions regarding exchange rate regimes are made by the government rather than the Bundesbank. In instances in which the German political elite has made fundamental decisions regarding exchange

rate regimes, the Bundesbank's misgivings have been completely ignored: in 1978, when Helmut Schmidt's political determination secured the implementation of the EMS project, and in 1990, when

Helmut Kohl's enthusiasm by-passed Frankfurt when deciding on the date and details of monetary union between the two Germanys. The only strategy with which the German central bank can avoid being an integral part of a new whole is to shed some doubt on the economic and/or political desirability of the Euro project, with the aim of weakening the government's perseverance in pressing ahead with Maastricht and the timetable towards the 1999 implementation of the Euro.

There is little if any indication that Bundesbank objections will deter Chancellor Kohl from pursuing what he considers to be the natural complement to German unification: a European Germany firmly anchored within a unified continent, economic details notwithstanding.

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Europe should not let its backyard be policed by US

From Mr George Chrysaphinis.

Sir, Edward Mortimer ("Time for a larger role", February 14) seems to forget two reasons which may explain why the US has been more present than Europe in international conflicts, particularly in the European arena. One is that after the second world war the US was one of the two superpowers of the Cold War along with the Soviet Union. Its actions, ranging from nuclear build-up to armed intervention, stemmed from a strong ideological position. During these 50 years the US capacity for intervention was sharpened while in the case of Europe, where the emphasis during the same period was to prove that it could live in peace, it was not cultivated.

The second reason is more directly related to the ex-Yugoslavian conflict. Europe's indecisiveness and division is explained by the fact that the history of several European countries is closely intertwined with that of the Balkan states. Rash reactions by European states at the start of the conflict made it difficult for them later to appear

impartial, something that was easier for the US to do.

The lack of any comprehensive European ideology makes it both difficult for Europe to react to sudden flare-ups and for the involved parties to anticipate such a reaction or take it seriously. Meanwhile, the US follows an explicit policy of protecting its strategic interests, which is easier for conflicting sides to interpret. Backed with its military clout, the message gets through.

Should Europe sit back and allow the US to police its own backyard? No, the US can and does make mistakes. Solutions based on strategic interest alone are not ideal and can be overturned when the occasion arises. Let Europe take the initiative and let principles of justice be its guiding ideology; and if the Bosnian conflict is too complex there are other cases in need of attention, starting with Cyprus, a victim of US realpolitik.

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France

Doubt about China's understanding of trade principles

From Mr Toshiya Tsugami.

Sir, Your article "China's level playing field" (January 30) reminded me again of the direction the Chinese economic regime is taking. Indeed, some Chinese officials have argued that China need only eliminate its preferential taxes for foreign invested companies in order to adhere to the national treatment principle of the World Trade Organisation.

Disregarding to what extent current WTO rules deal with the issue of national treatment "on person or enterprise", preferential treatment for foreigners never conflicts with the concept of "national treatment" which actually requires "no less favourable treatment" than accorded to

nationals. However, the Chinese view makes us rather pessimistic about whether and to what extent the Chinese people understand the principles of a multilateral trading system.

Put it this way. China's elimination of tax exemption, as discussed in your article, was the first time China had announced a policy change prior to its implementation and this allowed foreign investors to "rush into the brief window of opportunity".

For investors who had spent much time and money to set up joint ventures but had not yet acquired approval, the rumour of the instant elimination of tax exemption had been a serious threat. The

manner of the announcement suggests China is beginning to understand how transparency and predictability are important for a market economy.

The fact that China is becoming more sensitive about a "level playing field" or "non-discrimination" is also important. China should further understand that eliminating discrimination is necessary not only for Chinese state enterprises but also for foreign invested companies.

Discrimination against foreign invested companies obviously remains in China. Most serious, for example, is a quota-like export requirement for foreign invested companies only. If China has made up its

mind to protect "a level playing field", then I sincerely hope that it will also eliminate such discrimination, even if it takes some time.

Apart from whether such discrimination is inconsistent with the current WTO or other international norms, "non-discrimination" and "mutual benefit" are the key elements underlying the multilateral trading system which China wishes to enter.

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Samuel Brittan

Dilemmas in pension reform



Whether or not the welfare state is in a crisis, it certainly faces problems. Many of these arise from the problems of accommodating an ever greater proportion of pensioners in relation to the working population.

In the UK, social security expenditure accounts for 40 per cent of total public spending. Of that, 44 per cent goes to expenditure on the elderly. Nevertheless, according to the Organisation for Economic Co-operation and Development's projections, the future UK pensions bill does not threaten to put an overload on national finances. Indeed, at present levels of taxes and charges the British government should be able next century to repay some of the national debt, reduce taxes or increase government spending - or some mixture of all three.

You may believe that or not. But contrast the projected trends in other countries. In France and Germany the national debt will have doubled and will exceed national income by the year 2030. In Japan the debt will have tripled. These assumptions, based on unchanged taxes, are of course artificial: in European countries, for example, taxes or social security contributions will have to be raised to meet the Maastricht criteria for monetary union if pension schemes are not reformed.

Unfortunately, too much of the discussion of pensions reform is bogged down in the details of particular systems. It is time to state a few basic principles in terms of real resources.

● The allocation of income between spending and saving

is one for an individual or household to make. Some people will want to save heavily for retirement and other contingencies, while others will prefer to spend most of their incomes when they earn them. There is no warrant for imposing the preferences of any group over all the population.

● There is a minimum level below which citizens will not want their fellow citizens' standard of living to be reduced, however improvident they have been in the past, or how ever unfortunate they have been in obtaining pensionable employment.

● Whatever actuaries may say, there is no way by which the burden of pensions can be transferred from one period to another. All pensions have to be provided from the present national income. Even funded schemes can only give rights to a share of this year's national income. They cannot transfer resources from this year to another year 40 years away. The economic reality is that today's workers pay taxes and contributions to pay for today's pensions on the understanding that the next genera-

tion of workers will do the same for them.

● Reform can ease the burden of providing pensions if it raises the present national income. It may do so by improving work incentives or - as I should prefer to say - by removing disincentives. For instance, if it is really true that workers regard contributions to occupational or personal pensions as remaining in some sense part of their income, then such schemes will not have the same disincentive effect as social insurance contributions which are regarded as akin to taxes.

● Reform can also help if it improves the future national income. The main way in which it can do so is by improving the national savings ratio. To a liberal this should be a matter of removing any anti-savings bias in the present system rather than imposing forced savings in Soviet or Singapore style.

The problem with these principles is that they clash with each other. There is an apparent clash between the first - the voluntary choice of how much to save - and the third, the impossibility of shifting burdens between generations now to pay now. Old-fashioned texts would resolve the conflict by saying that the rate of interest brings into balance the desire to save with the requirements for investment for pensions and other purposes.

A more genuine conflict is between the first principle of free choice in provision for the future and the second, compassionate one embodying a minimum income or all. Once it is decided that there should be a minimum living standard in retirement, some element of compulsory contribution becomes justified.

The current British system is rightly a compromise. The state pension, together with means-tested top-up payments known as income support, provides the basic minimum. A second tier is provided by the requirement that people should save nearly 5 per cent of their incomes in earnings-related schemes either in the private sector or in a fall-back state scheme. The third tier is left to voluntary corporate or personal schemes.

The better financial position of UK state pensions owes something to demographic factors. But it is also due to some controversial decisions on its structure. The basic state pension is now increased in line with inflation and not in line with average earnings. In addition the age for qualifying for this pension is to be harmonised upwards so that for women, as well as for men, the pension starts at 65.

But there is still room for improvement. The most worrying feature of the British scene, which was mentioned in a recent speech by Mr Peter Lilley, social security secretary, is that only 2 per cent defer collecting their state pensions beyond the statutory official retirement age - despite substantial increases in the amount paid when pension is deferred. This problem, which may arise partly because of the financial treatment of part-time work and other small-print snags to their working longer, means an increased burden on the rest of the population.

With the increased lifespan and improved health of older people, it is more important to encourage work opportunities for this group than to tinker with pension reform. It is here that the true direction of change should lie.

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FINANCIAL TIMES

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Monday February 26 1996

Australia's tight finish

A few weeks ago the outcome of the Australian election seemed a foregone conclusion, with Mr Paul Keating's Labor government trailing 10 points adrift in the polls. Now with just six days to go, it is the Liberal-National opposition which appears to be on the defensive. The gap is down to a very few percentage points, and Mr John Howard, the Liberal party leader, is stumbling in the final straight.

Of course, no one should ever have underestimated the pugnacious Mr Keating, who managed to snatch victory from defeat in 1993. He is a formidable campaigner, and a ferocious parliamentary performer. But his administration has scarcely been scintillating, and the Labor party looks lacklustre after 13 years in government.

The trouble is that the opposition has also been short of ideas, or at least unwilling to spell them out in detail.

The Liberal party is in danger of doing it wrong twice, for opposite reasons. In 1983, Mr John Hewson, the former banker and IMF economist who was then party leader, put forward an impressive agenda of economic reform to tackle Australia's underlying structural problems of low savings and inflexible labour markets. He lost because he committed himself too far, in particular by promising new taxes on consumer spending to balance the budget, when the country was in recession.

This time round, Mr Howard

seems anxious not to make the same mistake. His economic policies are vague. Instead of presenting himself as a good budget disciplinarian, he has promised tax cuts and increased spending on health and environmental protection.

A sceptical electorate has been unimpressed. If the opposition does lose after all, it will be because of its lack of an agenda. This should have been the time for a clear vision of the structural reforms needed in the Australian economy, and its chronic tendency to run into import-driven balance of payments crises every time it starts to expand.

Mr Keating, on the other hand, does appear to have a vision, although he is thin on ideas for economic reform. He sees Australia engaging increasingly in the Asian region, loosening its ties with Europe and particularly with Britain. His determination to press ahead with plans for Australia to become a republic and abandon Australia's allegiance to the British crown, fits into that ambition. It has an obvious appeal to Australia's self-image of sturdy independence.

Six days is still a long time in Australian politics, and Mr Howard has a reputation as a tough fighter himself. But he has relied too much on the electorate's desire for a change, and not enough on presenting a clear alternative. If he fails, that will be the cause.

Stock exchange

The London Stock Exchange says it is looking for a chief executive. It should be in search of a role for itself as well. If it ducks the questions of why the last two chief executives left prematurely, and of its long-term future, the new appointee will find necessary reforms are once again frustrated.

Since Mr Michael Lawrence left the post last month he has elaborated on the problems he faced at one of the UK's most traditionally minded institutions. In written evidence to the House of Commons Treasury select committee, he implies that the Exchange is off from its intention to introduce order-driven trading, one of the most contentious and far-reaching changes now under consideration.

Order-driven trading would match buyers' and sellers' orders automatically. At present, market-makers post constant two-way prices in all shares, making money from the bid-offer spread. The change would cut investors' dealing costs at market-makers' expense. But critics fear that liquidity in some shares would also suffer.

Pressure for reform has come both from new technology, which makes matching of orders possible, and from growing competition with overseas exchanges. Yet a range of insurance companies, pension fund managers, market-making banks and private client stockbrokers, have told the exchange that they oppose

change. Under this pressure, the exchange has appeared increasingly uncertain of its position.

It has not made clear whether it thinks order-driven trading could co-exist with the present system. It has not thoroughly aired in public the question of who should pay for such reforms: the traditional member firms, which may suffer from the changes, or the wider community of market participants which could benefit. Above all, the exchange still appears ambivalent about whether it is as a trade association representing member firms, or a body serving that broader group of market users.

That central question of the exchange's long-term role has confronted its board for longer than Mr Lawrence or his predecessor Mr Peter Rawlings were employed. It will not go away. The board, and those who oppose reforms, cannot ignore the shift of power within the industry - away from stockbrokers and traders towards institutional investors - which will exert increasing pressure on breaking margins.

Responses to the exchange's current consultation exercise will provide a useful indication of the industry's feeling; but it will also confront the exchange more starkly with the central question: which long-term interests is it supporting? Until that issue is settled, any new chief executive will face the same almost impossible job of reconciling conflicting interests.

Inviting defeat

UK ministers not only deserve to be defeated in tonight's parliamentary vote on the Scott report, they are positively inviting it. Their response to the report over the past ten days has been a contemptible mixture of distortion and bluster. This only reinforces Sir Richard Scott's strictures about a governing mentality which places survival above truth, convenience above responsibility.

The case for the government to be defeated is simple. The Scott report finds ministers guilty, over a prolonged period, of serious violations of their democratic duties. Yet the government pretends that it has been vindicated on all fronts, just because it was not censured for the still more serious charge of conspiring to prevent three businessmen from defending themselves properly against a criminal prosecution brought by the government.

Mr Michael Heseltine, the deputy prime minister, has gone so far as to claim that there would have been no need for the Scott inquiry had its conclusions been known in advance. He says this of a report which finds that a minister still in office knowingly misled MPs over a lengthy period about policy on arms sales to Iraq; which finds that this was done because of fear of "strong public opposition" was the truth known; and which finds that the government's chief law officer - also still in office - was "personally at fault" for failing to address

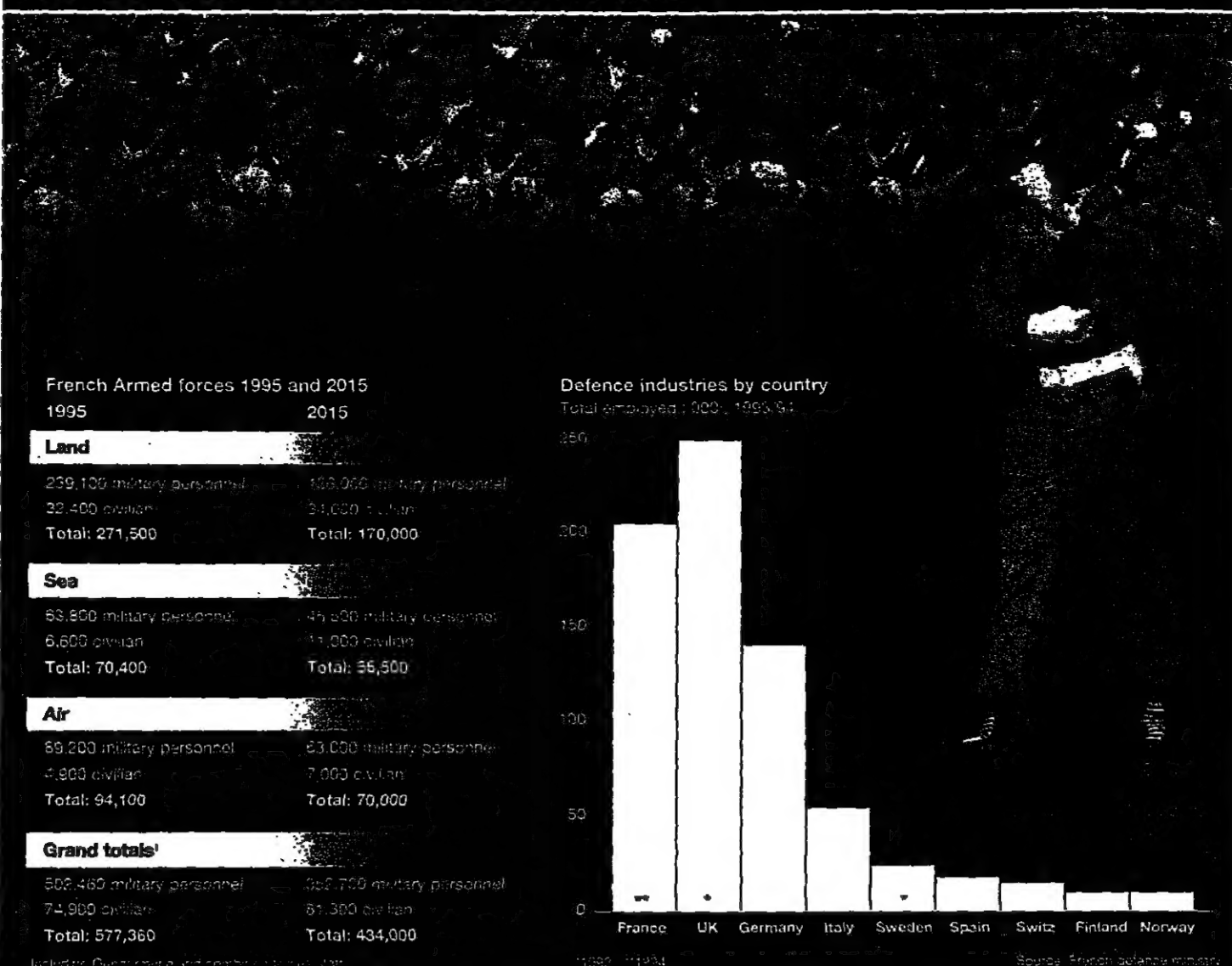
"important constitutional and legal issues" raised by the use of public interest immunity certificates in the Matrix Churchill trial.

There is no likelihood of the government falling as a result of the vote on the Scott report, even if it loses tonight. The resignation of Mr Peter Thurnham - the third Tory MP to leave the party in recent months - further weakens Mr John Major's grip on office, revealing disillusion among those on the party's moderate wing. But the defection does not threaten an immediate election. The debate today should therefore focus on the Scott report itself.

The government's stated willingness to reconsider the regime for licensing arms exports is welcome but inadequate. If ministerial accountability to parliament applied as it should, the two ministers heavily criticised by Scott would have resigned and the government would today be presenting proposals to MPs for dismantling the endemic and unnecessary secrecy surrounding policy on the sale of defence equipment abroad.

A government defeat might still produce at least the second of these outcomes - greater openness and public debate. It would also show that MPs within the governing majority place the standing of parliament and their duty as MPs to ensure ministerial accountability for executive actions, above narrow party self-interest.

French defence: a new era of professionals



A 21st century army

Chirac's plans for reforming the French military will not be universally welcomed, says David Buchan

When President Jacques Chirac announced last week that he intended to reform the French military forces and arms industry, he was strikingly frank about what he thought was wrong with them.

The Gaullist president compared France's partly conscripted army unfavourably to the UK's smaller, all-professional force. With the 1991 Gulf war, and perhaps Bosnia, still in mind, Mr Chirac complained that France was unable to "project" abroad a fighting force of more than 10,000 men "in a rapid and organised manner". And the country's defence industry, for all its technical competence, was "much too fragmented... to entertain a real international ambition" in a competitive world arms market.

But he also set out some ambitious targets for the future. By the time conscription was phased out in 2001, France's fully-professional forces - even though a third of them would be on a part-time "with the best in the world, notably the British army". In a pep talk to his 500 top officers, he went further: "France must be capable of being at the head of a [international] coalition with the command structure to control it". As for French arms exports, "we should be first, or at all events second if we cannot match the Americans".

France's commander-in-chief is clearly not sounding a retreat. Indeed, in the context of France's recent rapprochement with Nato, Mr Chirac's defence pronouncement

last week can be read as a sign France wants to play not just a leading, but the leading, role in the Atlantic alliance's European pillar.

First, however, must come the difficult "downsizing" and regrouping. The force cuts - from a total of 500,000 to 350,000 early in the next century - will be the biggest since the end of the Algerian war, when French forces shrank from 1.1m to 667,000 between 1962 and 1964. They will involve combat regiments being cut from 129 to 85, and the reforming of much of the army into four elite units (heavy armour, light armour, mechanised, and assault infantry) of 15,000 men each.

With more appropriate amphibious and air support, these units would enable France, Mr Chirac told his officer corps, to dispatch up to 30,000 men (the same number Britain sent to the Gulf) to some distant theatre while simultaneously sending 3,000 to 5,000 troops elsewhere (probably to Africa, where France has several bilateral defence pacts that Mr Chirac intends to maintain).

Naturally, Mr Chirac stressed that France retained its military commitment to Germany and to their shared Eurocorps. The future mix of German conscripts with French professionals may give Eurocorps adjutants a headache. While the end of conscription in France might prove contagious in Germany. But the real problem for Germany may be that France will want to make active foreign use of the Eurocorps - particularly in the context of a reduced French army - faster than Germans are politically

or psychologically prepared for.

Mr Chirac is aiming at cheaper as well as better defence. Tomorrow's 170,000 professional soldiers would cost the same in pay as today's part-conscript 270,000-strong army, but would require fewer weapons and therefore be less expensive overall.

Any downward pressure on the defence budget will obviously help France in 1997, when it comes to try to qualify for European monetary union. But the government will have to cater, in other parts of its budget, for two other defence-related costs.

First, the government has promised to recapitalise state-owned defence companies, which collectively have asked for more than FF20bn in fresh funds.

Second, the government has pledged to soften the blow to individuals and communities of base closures and defence industry restructuring. Indeed Mr Chirac has rejected as "absurd" fears of mass redundancies, though government ministers forecast the defence industry will continue to lose some 10,000 jobs a year; a recent parliamentary report estimated that to try to create alternative jobs for all those streaming out of the defence sector would cost FF20bn.

Apart from the Paris region, and from Provence and the Riviera which attracted the post-1945 nuclear and space industries, many traditional French defence companies are, for obvious historical reasons, located in the west and south-west in order to be as far from Germany as possible. Yet it is precisely proximity to the German

market that many investors in France seek these days.

Can Mr Chirac carry all this off? Or is he in danger of trying to tackle too much at the same time as his prime minister, Mr Alain Juppé, has done on welfare reform?

Initial reaction to the defence reforms seems favourable.

But Mr Chirac is taking several chances. One is his pledge personally to ensure that no region or town suffers from base closures or job losses. Normally, in the French system, it is prime ministers that take the direct heat for unpopular presidential decisions; that is why they change so often. Now Mr Chirac has effectively invited mayors of towns such as Tarbes in the Pyrenees, which is home to 1,800 Giat workers and 2,000 paratroopers, to level their anxieties about jobs straight at him.

Mr Chirac may also meet a disappointing reaction abroad. Nato and the European Union, in its intergovernmental conference that opens next month, may fail to add any cement to the European defence pillar Mr Chirac wants to build. He has invited European defence companies to forge new alliances with their French counterparts, but they may not want to do so on his terms. Even if they do, certain governments - notably the UK - may never commit themselves to "buy European" to the extent that Mr Chirac wants.

It is therefore possible that Mr Chirac will not be able to persuade other Europeans to follow the lead he clearly plans to give them, in the field and in the factory.

Defence groups seek allies

French defence companies have waited years for the government, their main client and in many cases their owner, to take long-overdue restructuring decisions. Their vigil is over.

Industrialists and investors, who sent defence stocks bouncing up and down on the Paris Bourse last week, are digesting the government's plans to merge aircraft companies Aérospatiale and Dassault, to privatise the Thomson electronics group and to squeeze the long-term defence budget.

The latter is not good news for the equipment-makers. They will have to share out FF50bn a year over the 1997-2002 period, when only a couple of years ago they hoped they could count on the annual average of FF104bn written into the current 1985-2000 defence programme - although the government never respected this, and stealthily pruned hardware spending to around FF90bn last year.

The country still has the seven major weapons assemblers and contractors - Aérospatiale, Dassault, Thomson-CSF, Matra (missiles), Giat (tanks), Sagem (aero-engines), DCN (ships) - that it had nearly 30 years ago. Some rationalisation is now inevitable. Hitherto only Matra, part of the privately-owned Lagardère group, has felt free to speak out on this; last year it said it wanted to buy Aérospatiale's satellite operations. Now regrouping is official government policy.

But Mr Chirac's call for a very big defence electronics pole created around a privatised Thomson raises the danger of the French tradition of Colbertist industrial interventionism going too far, and creating some unwieldy behemoth instead.

And while the Thomson group requires recapitalisation for its sale, other state-owned companies need fresh funds even without privatisation. The needs of Aérospatiale, which has asked for FF10bn in new money, may be met by marriage to Dassault, which is said to have a cash pile of about that amount. But since most of this is Taiwan's advance payments on the Mirages it is buying from Dassault, it may not be a real dowry.

Giat, meanwhile, has reported a FF10bn hole in its 1995 accounts, and this must, by law, be partially filled by the state. The sorry case of Giat has other unfortunate ramifications. This collection of army arsenals was formed into a company in 1980, but not allowed to close any sites or lose any jobs. The defence ministry repeated last week that no forced lay-offs would take place, even though Giat's management says half its 12,500 workforce is effectively redundant.

Job promises made to Giat can hardly be denied to DCN, all the more so because the nine DCN yards and factories are still government arsenals and DCN's 25,000 employees are still civil servants.

Mr Chirac and his government are urging French defence companies to forge new European alliances. Many have already done so. Thomson-CSF and Matra have significant UK partners, and Aérospatiale has its extensive ties to Daimler-Benz Aerospace. Others have hopes. Giat has Royal Ordnance in the UK and Krauss-Maffei in Germany in its sights, and DCN wants to develop links with UK and Italian yards with which it is building frigates. But they all the government to give them a freer hand.

OBSERVER

Slippery slope

Sounds of head-banging at The World Economic Forum, the organisation behind the annual schmoozefests at the Swiss ski resort of Davos. Maria Livanos Cattaui, who has managed the WEF secretariat with the finesse of a sergeant-major for the past 15 years, is packing her bags.

Cattaui's long survival has been a mystery to many, as her own schmoozing skills have rarely been in evidence. On the contrary, her tyrannical ways have more than occasionally irritated corporate members.

Late last year, Klaus Schwab, the WEF's founder and boss, told her that Claude Susskind, a former adviser and director, would be returning to the WEF as joint managing director. Susskind, head of information at French language Swiss television in Geneva, would take over the running of Davos and the growing number of "regional summits", while she would be responsible for improving internal "ongoing processes".

Cattaui's new assignment seemed a curious one as her relations with the computer were also less than cordial. She was still organising the immensely complex Davos jamboree with the aid of huge wall charts and several drawers of card files.

With the 1996 Davos behind her,

she decided to walk - prompting Schwab to give up his university teaching, and devote himself full-time to the WEF. He says Cattaui will not be replaced but Davos insiders observe that both Schwab and Susskind are absent-minded intellectual types. One wonders how they will keep the show on the road without at least some sergeant-majoring skills.

Female touch

Unilever seems to be perfecting the art of putting its chin in the way of arch-rival Procter & Gamble's list. The effects of the European "soap wars" that resulted in the Anglo-Dutch company pulling its Dawed Persil and Omo Power products were still washing around when the scene moved to Canada.

Unilever has now asked an Ontario court to ban a TV ad for P&G's Oil of Olay moisturising soap. It took exception to a statement that "compared to the leading beauty bar, Oil of Olay holds more moisture to your skin". Unilever claimed this was a not-so-subtle reference to Dove, its best-selling soap.

Madame Justice Tamarit Dunnet not only dismissed Unilever's complaint, but rubbed soap in the wound by giving her own assessment. Based on evidence from three experts, the judge concluded that P&G's ad "conveys

the general impression that Olay Bar is superior as regards moisture retention, which is true."

Only connect

Dead bodies on the front page of Thailand's most influential, but luridly illustrated, daily newspaper are nothing unusual. But last week it was the body of the paper's founder, Kamphol Wacharaphol, who died at the age of 76, that Thai Rath was featuring. Standing over him, performing a Buddhist bathing ceremony, was Crown Prince Maha Vajiralongkorn, the black sheep of the royal family and heir to the country's throne.

The pair were friends, and royal protection often gave Thai Rath - which has a waiting list for advertising space - the confidence to print stories other papers would not touch. The paper's exposure of a land reform scandal in late 1994, nearly unseated the democratically elected government of former prime minister Chuan Leekpai. It remains to be seen whether Kamphol's eldest children, a son running editorial and a daughter in charge of the business side, have their father's flair - or his connections.

Funny money

The Germans may be jolly good at making things, but, as many a visitor can testify, they have a lot

to learn when it comes to service. Still, help could now be at hand for all who have searched vainly for the smiling taxi-driver or hotel porter. Chancellor Helmut Kohl himself has warned his fellow citizens that they must be more cheerful if they want to make a success of tourism.

At a meeting in the chancellery last week, industry bigwigs wrung their hands over the need for innovation, more business start-ups and risk capital to ginger up a lacklustre tourist sector. Only Kohl dared to state the obvious: "We mustn't just be diligent. We must be friendly as well."

The chancellor is well-placed to compare conditions at home and abroad. During the past three months his peregrinations have encompassed China, Vietnam, Spain, Russia, and this week, Bangkok. It's also easy to smile when you're about to step on a plane bound for somewhere exotic.

Alter-wise

Father Kieran Blake knew something was wrong when he entered his church in the small village of Tir an Fhia in Connemara in the west of Ireland. "I knew something was missing", Father Blake told the Irish Times. "I was so shocked that it took me 10 minutes to figure out what it was." Thieves had made off with the altar.

Financial Times

100 years ago

Obituary of manufacturers

An instance of the obituary sometimes displayed by British manufacturers in refusing to adapt themselves to foreign markets is given in a Consular report just issued on the trade of Turkey. A leading importer of Manchester goods writes from Salonica to say that an English firm positively declined to make handkerchiefs of the size required in Macedonia. In vain the importer offered to give a sample order for 30,000 dozens; the good old British manufacturers refused to produce anything but the sizes which they were accustomed to turn out, paying no heed to the special requirements of the Macedonian nose. A large order was thus lost and went to Switzerland.

50 years ago

South Africa's Budget

South Africa's first post-war Budget, which may well prove the most momentous for the Rand gold-mining industry for a decade, will be disclosed by Mr. Hofmeyr, Union Finance Minister, on Thursday. It has been widely hoped that some of the industry's heavy tax burden - taxation takes some 68 per cent of taxable income - will be removed. Certain mining shares have rallied from recent low levels, but this is believed to be due more to guesswork than information.

Fleeting 'triumph' by Forbes is enough to weaken Dole in Arizona

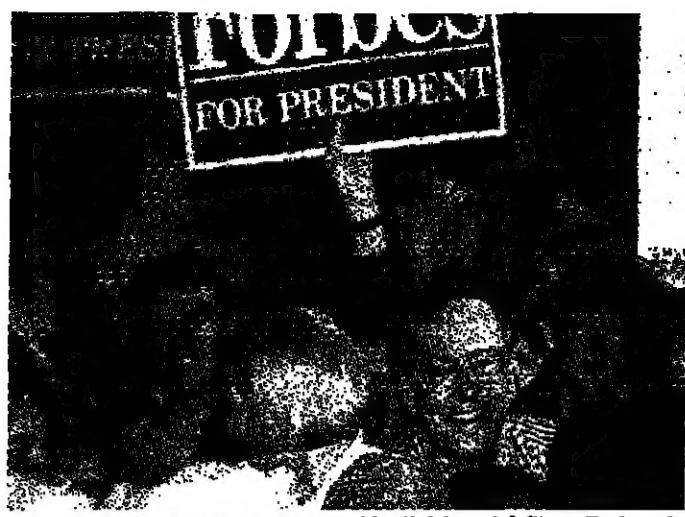
By Patti Waldmeir
in Phoenix, Arizona

Mr Bob Dole, Senate majority leader, heads into the US Republican party's presidential primary election in Arizona tomorrow looking increasingly weakened. He lost to Mr Steve Forbes, the millionaire publisher, in the Delaware primary on Saturday.

Mr Forbes' victory in Delaware may give his campaign in Arizona a late lift. Opinion polls there show him neck and neck with Mr Patrick Buchanan and Mr Dole at roughly 21 per cent each. Any such boost from Delaware is unlikely to stay with Mr Forbes beyond Arizona in the big southern primaries to follow.

But a strong Forbes showing in Arizona could further damage Mr Dole's campaign. With Mr Buchanan cementing rightwing support behind his surging campaign in this conservative state and Mr Forbes stealing centrist Republican votes from the senator, Mr Dole could slip to an embarrassing third place in Arizona.

Even victory in North and South Dakota, which will also vote tomorrow, could not give Mr Dole the momentum he needs,



Face in the crowd: Republican presidential hopeful Steve Forbes (in glasses) greets supporters in Tucson ahead of the Arizona primary

heading into a cluster of primaries over the next 10 days.

The most important of these will be the contests in South Carolina on March 2 and Georgia on March 5. These will provide a glimpse of voter sentiment in the south. They will also test the viability of Mr Buchanan's campaign for the long haul and the desire of Mr Lamar Alexander,

the former Tennessee governor, to exploit his southern roots.

Delaware's poll was scarcely a true test of electoral strength: Mr Forbes was the only mainstream candidate to campaign. The state's Republican voters rewarded him for his attention, and penalised candidates such as Mr Dole who boycotted Delaware after it had tried to upstage New

Hampshire by holding its poll immediately after the showcase first primary in the New England state.

Most Delaware Republicans abstained, with only 24 per cent of 139,000 registered party members voting. Mr Forbes won 33 per cent of their support. Mr Dole, who had the support of the state party hierarchy, came second with 27 per cent. Mr Buchanan came third with 19 per cent and Mr Alexander finished a distant fourth with 13 per cent.

A delighted Mr Forbes called the Delaware victory, his first since the nomination battle began, "a great triumph". But Mr Buchanan, campaigning strongly in conservative Arizona, brushed off this claim, commenting that "Steve Forbes finally bought himself a victory in an uncontested primary".

The winner-takes-all poll gave Mr Forbes all 12 of the state's delegates to the Republican party nominating convention. Overall, Mr Buchanan has 27 delegates so far, Mr Forbes 17, Mr Dole 16 and Mr Alexander nine.

Alarm over protection, Page 5

Palestinian bombs kill 25

Continued from Page 1

security." Other Likud members were not so reluctant to exploit the attacks.

"Such tragedies remind Israelis that we are far from the fulfilment of the ringing promises of the Peres administration," said Mr Yossi Olmert, a Likud parliamentary candidate. "It is obvious that when you have a peace process you would not expect to see more violence and bloodshed."

Peace and security will be the dominant issues of the election campaign. Although Mr Peres has been riding a wave of public sympathy since the assassination of prime minister Yitzhak Rabin last November, many Israelis remain deeply sceptical about his ability to take a tough line on their security.

Turkish talks

Continued from Page 1

times over two weeks but they failed to agree over control of the economy.

Refah, which wants to transform Turkey's 73-year secular state into an Islamic republic, also insisted on controlling the religious affairs directorate, the government body which controls and finances mosques.

The directorate is intended to enforce the mosque-state separation that is the cornerstone of secular state.

Mr Yilmaz argued that he could not allow the directorate to fall into "the hands of those with a different understanding of secularism".

UN accuses Bosnian leaders of pressing Serbs to quit

By Laura Stiller in Belgrade

United Nations relief officials yesterday accused the Muslim-Croat federation and Bosnian Serb leaders of exerting pressure on Serbs to abandon their homes in parts of Sarajevo which are set to come under Bosnian government control under the Dayton agreement.

Mr Kris Janowski, spokesman for the UN High Commissioner for Refugees, accused the Bosnian Serb leadership of manipulating the fears of Serbs about their fate at the hands of the Muslim-led Bosnian government.

He also criticised the Muslim-Croat federation for establishing illegal checkpoints and conducting police searches of the homes of Serbs remaining in the five Sarajevo districts, which will be handed over by March 20 to the Bosnian government.

The Serb flight from Sarajevo - seen as a blow to the Dayton agreement which aimed to rebuild a unified Bosnia - continued yesterday, even though the

peace process at the weekend received a boost when the Bosnian Serb military renewed contacts with the Nato-led Implementation Force.

It was the first meeting since February 8, when two senior Serb army officers were arrested by the Bosnian government as suspected war criminals and extradited to the international tribunal in The Hague.

The tribunal is due tomorrow to start a three-day public hearing of testimony from survivors of cluster bomb attacks on Zagreb last May which killed seven people. The testimony will be heard in proceedings against Mr Milan Martić, a rebel Serb leader.

Mr Martić stated at the time that he had ordered the Orkan rocket attacks in retaliation for a Croatian army offensive against western Slavonia, part of the rebel Serb state of Krajina.

There have been no indictments against the Croatian army, even though international observers reported crimes

against Serb civilians in Krajina, where a rebel Serb state was crushed last August.

The Bosnian Serb leader Radovan Karadzic and his military commander, General Ratko Mladic, are named on a list of 52 suspects - 45 Serbs and seven Croats. All but one of the Serb suspects, including Mr Martić, are at large in Banja Luka, the Serb stronghold in Bosnia.

The tribunal has no police force and must rely on the co-operation of the leaders of former Yugoslavia and the international community. It was created by the UN Security Council in 1993, the first such tribunal since the war crimes trials in Nuremberg and Tokyo.

But those trials were conducted by the winners of the Second World War in sharp contrast to the current tribunal. The fragile peace accord in the Balkans also hinges on the compliance of the former warring parties, some of whom worry that they, too, could one day find themselves on the list of suspects.

Pentagon to identify arms deals for UK

Continued from Page 1

combining its requirement for a shorter-range, highly accurate cruise missile with a similar British need, though this is thought to have met with less favour in London.

The programme being promoted most actively by Mr Portillo is the short-range air-to-air missile Asram, made by BAe.

The US badly needs a short-range missile to replace its venerable Sidewinder, but is reluctant to consider a foreign competitor for 20,000 missiles worth more than \$10bn which are so important to its air defence needs.

"This is a programme which is very close to home, because pilots' lives depend on it," said one US executive.

Europe's bitter medicine

THE LEX COLUMN

Will continental Europe's increased willingness to take potent economic medicine eventually provoke a backlash? From a purist perspective, the more commercial approach shown by European companies, such as Daimler-Benz, Philips and Alcatel-Alsthom, is welcome. So is the fact that some governments are gradually weaning their companies off state hand-outs and running tighter macroeconomic policies in an attempt to meet the Maastricht criteria for monetary union. Harsh measures are needed if European industry is to thrive in an increasingly competitive global market.

The snag is that, in the short term, such medicine leads to unemployment. So far this year, attention to the bottom line has led Daimler to pull the plug on Fokker and Philips to force large job cuts at Grundig. Equally, the drying up of state aid was a factor behind Bremer Vulkan's bankruptcy last week. Meanwhile, tight macroeconomic policies have restrained economic growth and prevented some countries from bailing out their industries by devaluing their currencies. The result is that Germany's unemployment rate is 10 per cent and France's nearer 12 per cent.

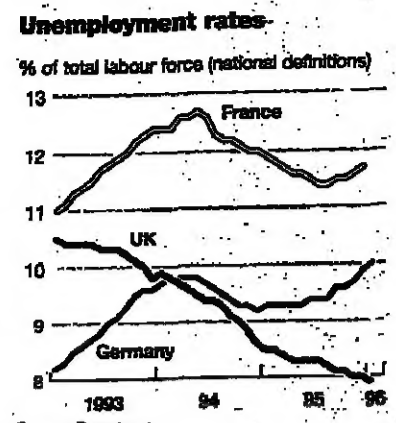
So far, the backlash has been limited. Only in France, where last year's wave of unrest forced the government to dilute its pro-market policies, has it yet had much practical impact.

However, the drive to restructure European industry is accelerating. In the private sector, nostrums such as shareholder value are increasingly taking hold. Moreover, as state-owned groups are privatised, they will face market disciplines. Even France has not abandoned the restructuring process; last week's decision to privatise Thomson SA and merge state-owned Aérospatiale with private-sector Dassault is a precursor to rationalising the defence industry.

Given such a trend, the possibility of a serious backlash cannot be dismissed. The main worry must be that politicians will respond to social disquiet by loosening macroeconomic policy or using other short-term palliatives. The transformation of European industry may yet be accomplished without major difficulties, but investors should not count on it.

London Stock Exchange

The continuing row over whether the Stock Exchange should modernise its trading system highlights a more fundamental point: the exchange



Source: Datastream

needs to modernise its corporate structure and turn itself into a proper company. Being a club owned by market-makers and stockbrokers is the underlying source of its current problems. This creates a massive conflict of interest: instead of being able to focus on providing the best services to all its users, including investors and companies, the exchange is constantly forced to run itself in the interests of market-makers and brokers. Hence, the sacking earlier this year of Mr Michael Lawrence, the chief executive, amid a dispute over whether to modernise the trading system, while his plan would have cut dealing costs, it would also have reduced big market-makers' profits.

The way to eliminate this conflict of interest would be for the market-makers and brokers to sell their shares in the exchange to the public - in the process floating it on its own stock market. Such a step should have the added advantage of turning the exchange from a slow-moving bureaucracy into a sleek commercial animal. Since the exchange would be run for profit, it would have every incentive to cut waste, speed up decisions and devise innovative new services.

Competition authorities would, of course, have to watch out that a commercialised exchange did not exploit its dominance to stifle rivals and overcharge its customers. But, then again, there is nothing new about the exchange behaving in a monopolistic fashion.

UK bancassurance

Having snapped up Gartmore last week, NatWest now wants to get its teeth into a life assurance company. The strategy of developing its long-term savings business - one that

many other banks share - is a sensible one. Baby-boomers are realising that they can no longer depend on the state to provide for them in old age. The result is a trend towards long-term savings rather than short-term deposits.

This makes life assurance an attractive business for banks, which are rightly concerned about the stagnation of their traditional markets. At present they are awash with capital, and keen to do something with it to avoid dilution of their strong returns on capital. Furthermore, their efforts to develop in-house life assurance have been slow-going. Acquisitions would bring new client bases, as well as the chance to shunt new products through their branch networks.

All this means that banks are willing to overlook the fact that life insurers are currently feeling the pinch. Many mutuals have been losing money, as demand for life policies, a product area which requires an expensive infrastructure, has slipped. Confidence in some brand names has been undermined by mis-selling of personal pensions.

Meanwhile, the sight of so many building societies being taken over or dashing for flotation has altered the presumptions of mutual life insurers. The result is that almost every mutual from Norwich Union down, is considering flotation, sale or closing its books. Abbey National's purchase of Scottish Mutual has shown that addressing concerns about financial strength can get policies back on to independent financial advisers' lists. Banks will have little problem finding willing vendors.

Of course, in the drive to create bancassurance combinations, life groups could also move into banking. Prudential, for example, is building a presence in telephone banking, which may enable it to keep more of the money from maturing policies in-house. But such a strategy is only realistic for biggest life groups.

Among the banks, Lloyds TSB (with Lloyds Abbey Life) and Abbey National (with Scottish Mutual) are already ahead of the game. For the likes of NatWest, the key is to find strong brand names and avoid overpaying. This is likely to be easier to achieve by buying mutuals rather than public companies, since mutuals' brands generally attract lower valuations. Given the plethora of choice, buying sensibly should not be too difficult. Banks will then, once more, be in charge of growth businesses.

Europe today

A frontal zone associated with a depression over the northern Norwegian Sea will linger across Denmark, the Benelux and north-eastern Spain. This will result in cloudy conditions with snow over Finland and eastern Sweden. Rain will affect Denmark, the Benelux and central France. Numerous showers will occur over southern France and north-eastern Spain. Much of the British Isles will be dry with sunny spells but Scotland and western Ireland will have showers. The southern Iberian peninsula and Italy will be dry with scattered cloud. The Balkans and central Europe will be dry with ample sun.

Five-day forecast

High pressure over Russia will extend towards western Europe and the British Isles, forcing Atlantic depressions to move north to Scandinavia or to be diverted south into the Mediterranean. As a consequence, conditions will become settled over the continent, while Scandinavia and the Mediterranean will experience abundant precipitation.

Warm front Cold front Wind speed in KPH

TODAY'S TEMPERATURES

Location	Max	Min	Weather
Abu Dhabi	32	25	sun
Accra	32	25	sun
Algiers	18	10	cloudy
Amsterdam	10	6	showers
Athens	18	11	sun
Atlanta	21	16	sun
B. Aires	18	12	sun
B. Ham	18	12	sun
Bangkok	36	26	sun
Barcelona	13	8	showers
Beijing	8	4	sun
Calcutta	25	18	sun
Cardiff	10	6	sun
Casablanca	20	14	sun
Chicago	20	14	sun
Cologne	20	14	sun
Dakar	21	14	sun
Dallas	31	21	sun
Delhi	27	18	sun
Dubai	25	18	sun
Dubrovnik	12	8	sun
Edinburgh	5	1	sun
Faro	14	8	sun
Frankfurt	15	8	sun
Geneva	15	8	sun
Glasgow	15	8	sun
Hamburg	26	18	sun
Helsinki	27	18	sun
Hong Kong	25	18	sun
Honolulu	25	18	sun
Istanbul	12	8	sun
Jakarta	29	21	sun
Jersey	17	11	sun
Kuala Lumpur	31	23	sun
Kuwait	31	23	sun
L. Angeles	20	14	sun
Las Palmas	20	14	sun
Lima	20	14	sun
London	15	10	sun
Luxembourg	15	10	sun
Lyon	15	10	sun
Medan	17	11	sun
Madrid	14	8	sun
Manila	29	21	sun
Maracaibo	29	21	sun
Medan	29	21	sun
Melbourne	29	21	sun
Miami	29	21	sun
Moscow	29	21	sun
Munich	29	21	sun
Nairobi	29	21	sun
Naples	29	21	sun
Nassau	29	21	sun
New York	29	21	sun
Nice	29	21	sun
Nicosia	29	21	sun
Oslo	29	21	sun
Paris	29	21	sun
Perth	29	21	sun
Prague	29	21	sun
Rangoon	29	21	sun
Reykjavik	29	21	sun
Rio	29	21	sun
Rome	29	21	sun
S. Francisco	29	21	sun
Seoul	29	21	sun
Singapore	29	21	sun
Stockholm	29	21	sun
Strasbourg	29	21	sun
Sydney	29	21	sun
Taipei	29	21	sun
Tokyo	29	21	sun
Toronto	29	21	sun
Vancouver	29	21	sun
Varna	29	21	sun
Warsaw	29	21	sun
Washington	29	21	sun
Wellington	29	21	sun
Winnipeg	29	21	sun
Zurich	29	21	sun

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